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FINANCIAL ASSISTANCE SCHEMES FOR THE ACQUISITION OR IMPROVEMENT OF FISHING CRAFT

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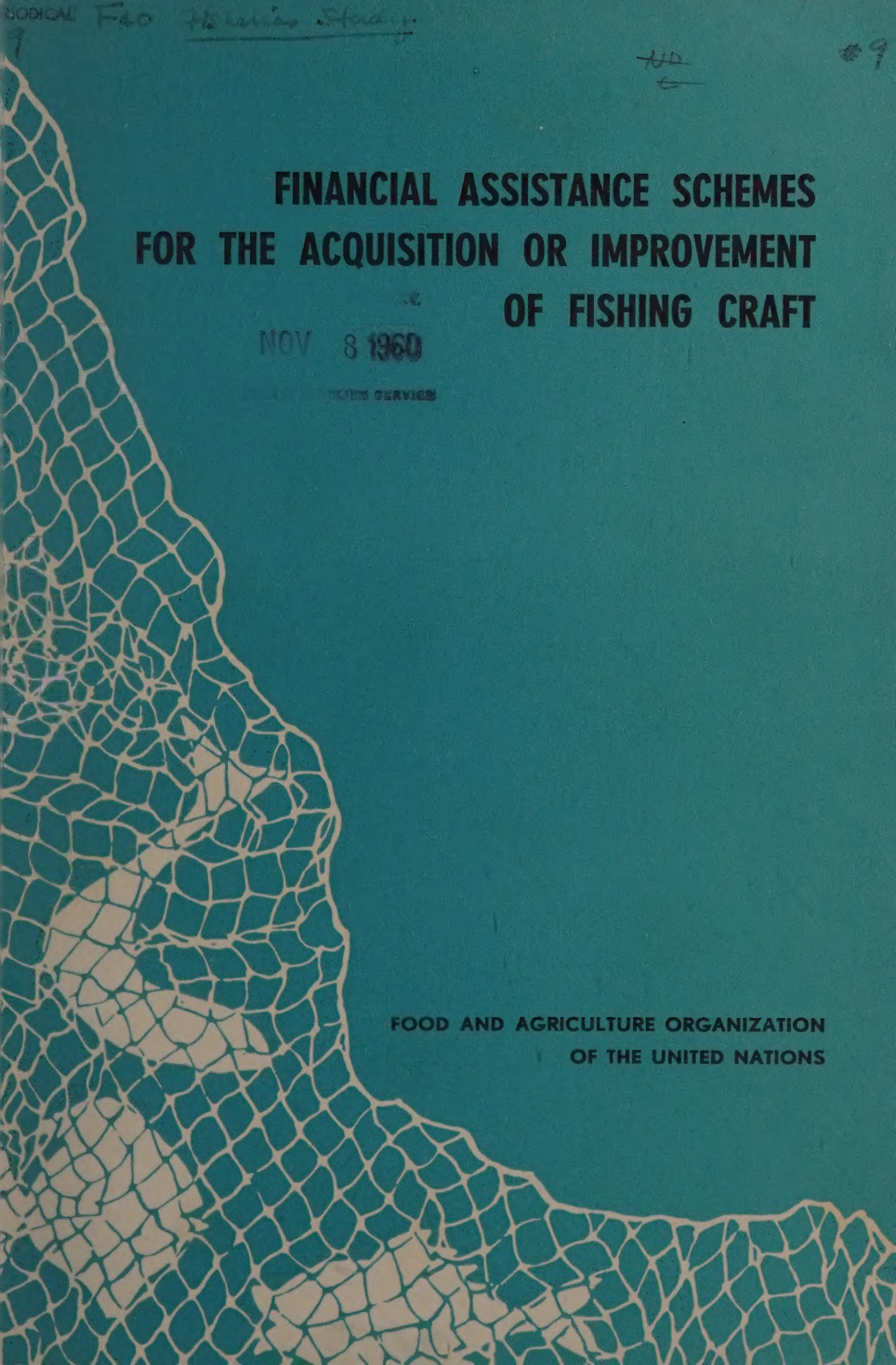

FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

FINANCIAL ASSISTANCE SCHEMES FOR THE ACQUISITION OR IMPROVEMENT OF FISHING CRAFT

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by

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FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

Rome, 1960

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Printed in Italy

FOREWORD

The postwar reconstruction, modernization and more rational management of the world's fishing fleets provide the background against which this review has been prepared. Restricted sources of investment and consequent shortages of capital reflect economic and physical risks as old as the fisheries themselves and to these must undoubtedly be traced the need for the various government measures of financial aid with which this review is concerned. However, these measures were, to a large extent, inspired by governmental policies directed toward a rapid acceleration of change and development and governed partly by enlarged responsibilities for the social welfare of fishermen, but, perhaps more significantly, by a wider appreciation of the potential economic and nutritional importance of the fisheries industries, so clearly demonstrated during the temporary food shortages of wartime.

Among these measures, embracing many forms of direct and indirect aid, those facilitating the provision of credit — especially long-term credit — for the purchase of improvement of fishing craft, have been the ones most widely adopted by the majority of fishing countries. In many of the most advanced fishing countries where the emergencies of early postwar reconstruction and rehabilitation have passed to be succeeded by longer-term problems of rationalization and optimum efficiency of operation, supervised credit continues to exercise a powerful influence on current building programs especially for the smaller categories of fishing vessels. For similar but often more urgent reasons, they have now become of outstanding importance in an even larger number of countries where, for the first time, governments are planning and executing far-reaching plans for the modernization

of fisheries industries based mainly on traditional, often primitive, methods and equipment. The subject, therefore, is one of special concern for the Food and Agriculture Organization of the United Nations (FAO) in connection with the provision of technical aid and advice to the latter group of countries.

However, notwithstanding the widespread interest in this matter, there is, in fact, no readily available information assembled on an international basis, sufficient to indicate, even in general terms, the main features of the different types of financial assistance provided in the various countries. Still less has there been any organized exchange of experience on this subject or any comparative review of the results achieved. Many of the schemes are the subject of periodic review and revision within the respective countries and it seems evident that in each case it would be valuable to the government agencies concerned to be in a position to refer to the measures introduced in other countries. This facility would be of even greater value to the governments of those countries where such measures are being tried or contemplated for the first time.

This is particularly the case in many of the countries where FAO is extensively engaged in different forms of technical assistance to fisheries industries, in which connection both the governments concerned and FAO have recognized for some time that the modernization and improvement of long outmoded fishing methods and equipment depends not only on technical advice and training but, fundamentally, on some rational means of financing — which in the great majority of cases must be provided from government sources.

The present study, therefore, represents a first step towards a comprehensive review of current credit schemes and related measures, which is considered essential from FAO's standpoint as the basis for more authoritative advice in connection with fishery development and would also appear desirable from the standpoint of many Member Governments already extensively concerned, in many different ways, with the application of such measures.

At a later stage it is hoped that this information can be extended to embrace a larger number of schemes in more detail and that some exchange of experience can be arranged among the

respective governments and industries, leading to conclusions and recommendations as to the most effective means of providing financial aid of this kind.

For the time being, the study has been restricted to some 30 schemes for which information was conveniently available and, in this connection, thanks are due to the fisheries departments and other authorities in the countries represented here, which co-operated so helpfully in the assembly of this information and in the review of the summaries prepared by FAO.

It will be noted that some of the schemes provide financial assistance for various purposes, of which the acquisition and improvement of fishing craft is only one. These have been summarized only in respect of the provisions concerning the latter.

The information given is not always comparable in all respects and has been varied to some extent according to the length and detail of the statutes consulted. Some of greater length and complexity embodying many different conditions and requirements have been described in outline only, while others prescribed in more general terms have been reproduced almost in their entirety. It is strongly recommended, therefore, that any more detailed study of specific schemes should be made with reference to the legislation itself, as well as to these summaries.

Appendix 3 contains a list fo the current legislation under which financial aid is prescribed in the countries covered by this review. Protostat copies of these may be obtained, at cost price, on application to the Director, Fisheries Division, FAO, Rome, to whom requests for further information or comment may also be referred.

For obvious reasons, of which the most outstanding is lack of reliable data, no attempt has been made to review, individually or comparatively, the results obtained in practice from the application of the schemes described. Where so many different social, economic and political factors govern the level and type of assistance provided, it would be invidious for FAO to attempt such a review, and the following chapters are intended to provide purely factual information concerning the various schemes in operation with some general observations on objectives, methods of operating and characteristic problems encountered in the fisheries. Never-

theless, at a later stage, when governments have had an opportunity to analyze results over a sufficiently long period, it might be of mutual advantage for them to review and possibly discuss collectively the efficacy of different credit arrangements under different conditions. It is already clear that there are many administrative and operational problems involved and that the effects of any particular credit arrangements are often difficult to foresee.

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INTRODUCTORY REVIEW

Objectives

The financial assistance schemes described in this paper all involve the use of public funds to provide capital under conditions of special advantage to the fishing industries. Whatever specific social, economic or political objectives may be recognized, and these, of course, differ between countries and between individual fisheries, all such schemes constitute an attempt to meet a situation in which investment through ordinary commercial channels is restrained at a level below that desired for maintenance and replacements or for some desirable expansion, modernization and rationalization of the fishing fleets. The widespread use of schemes of this kind is one of the consequences of the special financial hazards of the industry which are due to the uncertainty of the catching operations and to high perishability of the catches. Individual fishermen, particularly, and small fishing enterprises often cannot protect themselves adequately against such risks which, however, may be greatly reduced if spread over a large enough number of operations and types of fishing.

The intervention by Government to assist the individual boat owner to obtain capital which is not available elsewhere on equally advantageous terms implies a political decision to maintain or achieve certain levels or promote certain types of fish production whether from the economic standpoint in order to increase national income or to secure strategic food supplies or, from the social standpoint, in order to protect and improve living standards in fishing communities. This means that the use of such credit facilities or subsidies is governed with reference to the interests of a whole sector of the fishing industry, or of the community as a whole, rather than to those of a single undertaking alone, and to that extent these facilities differ from those available

through private channels, even though the criteria applied in individual cases may be similar. Private facilities may include both commercial banking institutions which are mainly concerned with the prospects for earning interest on the loans advanced and non-institutional sources, e.g., the fish merchant or agent at the fishing port, who is mainly concerned with the success of the fishing operations of the individual craft in order to ensure supplies for his own business.

The various government measures with which this review is concerned have in common, therefore, two features which distinguish them and their objectives from other forms of credit; they provide *institutional* credit as opposed to the noninstitutional credit provided by merchants, speculators, moneylenders, etc.; and, as opposed to banks, they also provide *supervised* credit in the sense that their use is regulated for the purpose of achieving certain objectives held to be in the public interest. These features have a decisive bearing on the whole structure, organization and effectiveness of the facilities provided.

Two important practical difficulties have been encountered in most countries to a greater or lesser degree:

(*a*) that of providing flexibility consistent with the fluctuations and hazards of fishing while retaining the two essential elements of selection and security consistent with the use of public funds for this type of assistance;

(*b*) that of ensuring that the facilities in the form in which they are provided do, in practice, serve the particular purposes for which they were designed.

With regard to (*a*), some of the practical aspects of selection and security will be dealt with later in this section, but from the standpoint of reaching the stated objectives it is important to guard against arrangements for and conditions governing the award and repayment of loans which, because they are insufficiently adapted or adaptable to the varying requirements of the situation may lead to some individual recipients suffering loss

or even failure, while other potentially successful applicants may be excluded.

With regard to (*b*), there is the danger of encouraging developments different from those which were intended. Thus, where the level of assistance varies with the size of a boat or engine, the effect may be to encourage the building of craft of extravagant specifications or to divert operations from the type of fishing that it was intended to promote to other methods, e.g., from inshore fishing to deep-water seining. Where such developments are not foreseen, it may easily happen that the available funds intended to benefit a large number of fishermen are absorbed by a much smaller number of beneficiaries.

Clearly, therefore, the machinery set up for the administration and supervision of financial aid is of critical importance in ensuring that available funds are used in accordance with the objectives for which they were created. To this end, every aspect of the conditions and procedures governing the award and recovery of loans requires consideration in the light of these objectives. Although there has not yet been any systematic review of the permanent results achieved by the different schemes introduced so far, it is evident that, regardless of whether the purpose is sound or the funds adequate, the administrative problems may limit prompt and effective use of the facilities provided. Accordingly, some review of operating procedures would appear well worth while as a possible means of achieving improvements within the limits of available funds and the capacity of existing services.

Legislation

The legislative measures under which the various schemes are sanctioned differ in accordance with the political, legal and administrative structures of the countries concerned. They may apply exclusively to fisheries or embrace broader schemes of assistance to several sectors of the economy. They reflect the differing extent to which authority may be delegated by governments to their administrative departments and other public bodies. Thus, in some cases the basic law contains detailed provisions for the administration of assistance, while, in others, it provides only

a definition of over-all limitations and conditions within which the assistance may be granted, leaving the administering authorities free to prescribe the detailed regulations.

It would be difficult and of doubtful value, therefore, to make a comparative review of legislation from the purely legal standpoint. However, the level at which regulations are authorized does have a bearing on the flexibility of operation which is generally considered desirable in view of the uncertainties inherent in fishing enterprises. Thus, where the administering authority has the necessary powers, it is relatively easy to make adjustments in regulations so as to control and make the most effective use of available funds. Where parliamentary sanction is required for even minor adjustments, the process is slower and more complicated. The responsibility of the administering authority may also have a bearing on such matters as the security required for loans, etc., and, as will be discussed below, the problem of security is one of the most serious impediments to the successful operation of such schemes.

Administering authorities

It will be observed that the responsibility for the administration of financial assistance schemes is allocated in different ways in the countries represented here. For practical purposes the different agencies may be distinguished as follows:

(*a*) government departments directly involved in the administration of schemes, e.g., Belgium, Federal Republic of Germany and, for particular purposes, Canada;

(*b*) specially constituted development corporations, e.g., Ireland, Japan, Union of South Africa, United Kingdom;

(*c*) fishery banks, e.g., Denmark, Norway and Spain;

(*d*) specially appointed loan boards or commissions, e.g., Malta and certain provinces of Canada;

(*e*) approved co-operative credit societies, under the supervision of a government department, e.g., France, Japan.

Each has its own advantages under certain circumstances and the only comment offered here is that the expeditious and well-informed handling of applications, awards and repayments is more likely to be achieved where the agency concerned has specific responsibilities for fisheries and has close liaison with fishermen. Difficulties may well arise where business is handled as part of a large volume of administrative matters by some centrally located authority without immediate access to detailed information concerning individual cases.

Forms of assistance

Assistance may be rendered in a variety of ways of which examples will be found in the schemes described in the following sections. *Loans* are by far the most common form of assistance and they also represent, in monetary terms, by far the greatest part of the assistance provided. *Grants* are also provided in a number of cases, e.g., in Canada, France and the United Kingdom and these may be awarded separately or in conjunction with loans. Other forms of assistance represented here are guarantees on loans from commercial banking institutions (e.g., Canada) and allowances against interest charges on such loans (e.g., Belgium, France, Federal Republic of Germany and the Province of Quebec, Canada). A special feature of the assistance provided in the Province of Quebec is the payment of life insurance on behalf of borrowers.

Where so many different practices have been followed reflecting the different structures and needs of the fishing industries and the legal and administrative procedures of governments, it is extremely difficult to make any comparative analysis of the value of the assistance provided. In practice most schemes represent some compromise because the extent to which, and the manner in which, funds can be made available by Government falls short of what would be ideally required for the desired degree of reconstruction and modernization of the fleets. For purposes of rough comparison, the main features of the different schemes have been tabulated in Appendix 2.

Beneficiaries

It has already been mentioned that public institutional credit of the kind described here is selective and intended to assist those sectors where other sources of capital are not adequate to reach certain policy objectives. The main body of beneficiaries, therefore, comprises fishermen, groups of fishermen and firms which are unable, or possibly reluctant, under existing economic conditions to acquire and operate certain types of craft or prosecute certain types of fishing. Some difficult problems arise in selecting, from among this group, those who will be most likely to take full advantage of the facilities provided. In this connection, the following extract from an official report seems particularly relevant:

> The key to successful fishery development is the capable fisherman. Given the opportunity and sufficient information and advice he will acquire the boat and gear best suited to the fishery he pursues and will operate it successfully. The best designed equipment can be of little value in the hands of a man who lacks ability and skill or in particular circumstances for which it is not suitable. The government agency administering the scheme can collect valuable information on the performance of various types of equipment and other relevant factors and can provide expert advice, but the final judge of what equipment to use where and how must be the able, enterprising and skilful fisherman himself. The less he is hemmed in by limitations, minimum requirements and standardization, the more likely is he to be successful. The central task of the administering authority is then, in our opinion, to ensure that grants and loans are extended to those most likely to use them to the best advantage. To this end an intimate knowledge of the fishermen and the fisheries... is essential. [1]

Some of the problems are of a quasi-political character reflecting the anxiety of public authorities to avoid invidious discrimination between individuals of ostensibly similar qualifications, or to achieve a certain balance geographically and between different sectors or to ensure that facilities are being fully utilized within specified periods, etc. They mainly stem, however, from the difficulty of reconciling the requirements of established

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[1] Source: *Report of the Prince Edward Island Fisheries Development Committee*, Charlottetown, P.E.I., 1956, pp. 35-36.

procedures governing the authorization of expenditure from public funds with the desirability of basing selection upon close liaison with and knowledge of the individual fisherman and his potentialities.

Clearly it is important that assistance, to achieve the purpose for which it is provided, must be directed and confined to those fishermen who are most likely to use their equipment to advantage. In some cases this may involve selection from among a large number of applicants, many of whom are experienced, skilful and eligible within the terms of the scheme. In others, it may be a matter of seeking and encouraging applications from promising fishermen where some innovation is to be encouraged. It is equally clear that in all cases the effective operation of the scheme must depend on judgments formed locally at the level of the applicant. Even in highly experienced and well-staffed administrations where there is extensive delegation of responsibility and authority, it is not easy to acquire and apply with confidence the kind of experience required to form such judgments. In newer and smaller departments, with few trained staff and limited field services, the problem is much more difficult.

It is always necessary, therefore, to place some reliance on well placed, knowledgeable individuals, who may or may not belong to the fishery administration itself. In practice, in most effective schemes, some such provisions are made for enlisting the help of local fishery officers, fishermen's associations and co-operative societies, fish salesmen and merchants, etc. Fishermen themselves and the people with whom they have their immediate business dealings are usually the soundest judges of a particular fisherman's ability, initiative and integrity, and it is of great value if some practical means can be found of consulting their views. Fishing skill and honesty are not necessarily enough to ensure a successful venture in ownership and it is usually desirable to obtain other indications of character, e.g., initiative and tenacity of purpose. Almost always there are some people locally who can be consulted discreetly on such matters, e.g., schoolmasters, ministers of religion, etc. Where awards are made solely on the basis of formal compliance with the minimum requirements

of prescribed conditions, a greater proportion of failures must be expected.

A further consideration concerning beneficiaries is that of ensuring that both before and after successful application for assistance they fully understand the purposes for and conditions under which such assistance is being provided. Here again it would be difficult to overemphasize the importance of making available locally and directly to the applicant both information and advice. This is particularly so where, as in many cases, the fisherman is of a relatively low level of education or where he is unfamiliar with administrative procedures, legal obligations, etc. Generally speaking, in matters outside fishing operations, fishermen are accustomed to place their trust in individuals ashore, without bond or question. In the case of government assistance, regardless of assurances given and undertakings contracted, they are often predisposed to regard the government agency concerned as morally responsible, in part, for the satisfactory fulfillment of their contract. In many ways they are justified in this attitude if it is recognized that the Government's responsibility includes not only the provision of the facilities, but also the selection of beneficiaries who can be trusted to achieve the objectives for which they are provided, Generally speaking, the problems of selection open up the wider issue of effective liaison with fishermen which is a prerequisite of sound fishery administration, especially in connection with planned developments. This lies outside the scope of this discussion, but it may not be irrelevant to suggest that the satisfactory operation of a government credit scheme, not only requires but may promote and deepen the understanding between fishermen and the fishery administration.

Security

Under this heading it is intended to deal only with the various legal or administrative provisions made for securing loans advanced from public funds. It is not proposed therefore to discuss the more fundamental aspects of security involving an objective evaluation of economic conditions and prospects in the

fisheries and of the experience and propensities of the fishing population. It will be sufficient here, perhaps, to conclude from even a superficial review both of the situations in which credit facilities have been provided and of those in which there is outstanding need for such facilities that there are still very many practical difficulties which prevent the government from sharing the risks of the primary producers in fisheries. None of the schemes reported here contains any explicit provision for the costly fluctuations due to fish behavior or weather, which the fisherman accepts as a normal occupational hazard, and the benefit of assistance is mainly in some form of subsidy, e.g., grants, low interest, long repayment periods, etc. Yet it is really these risks which explain the fisherman's need for credit in the first place and the fact that, in most places, the only sources of credit for supplying his occupational needs have been the salesmen and merchants who had an interest in the value of his catch. It may be worth while here, as in many other connections in fisheries, to refer to the common ownership of the resource and the marked contrast to agriculture where the ownership or tenancy of land usually implies exclusive entitlement to the harvest therefrom. In the majority of the credit schemes described here, the loans are secured, directly or indirectly, on the value of the equipment acquired. In some cases, alternative and safer collateral may be accepted in preference and, in others, may be a disqualification according to the purposes of the scheme.

Mortgage

As will be seen from Appendix 2 most of the schemes described in this review require mortgage of the fishing vessel or of fixed assets of comparable or greater value. In the majority of cases the loan is secured by first mortgage although, in the case of Norway, second and third mortgages may be accepted as security against increments of the original loan. From the legal and procedural standpoint, mortgage provides the most familiar and ostensibly the most reliable form of security, and the preference for this system, on the side of government authorities, is quite understandable. However, from the standpoint of the fishermen,

the important consideration is that he becomes the legal owner of the equipment which he has purchased and his legal obligation is to repay a certain sum of money, in a certain manner. He has accepted not only the privileges but also all the responsibilities of ownership and, the implications of this fact are not always completely understood by beneficiaries. Where the fishermen are relatively well educated and alert to the business and legal aspects of their undertakings, the procedure may be appropriate and has the advantages of well-defined legal commitments and well-established precedents. However, even in the most progressive fishing communities, the procedures may not prove entirely consistent with the rapid fluctuations of fortune which characterize many fishing operations.

A series of poor trips, a long repair job, or some other quite familiar misfortune may expose the fisherman to the threat of foreclosure because of default on repayments, even though there are good prospects of making the repayments good over a longer period. Usually the authorities concerned exercise discreet forebearance but, for the fisherman, the legal threat is disturbing while, for the authorities, any deviation from prescribed regulations may be administratively difficult and the precedent embarrassing.

Where it is decided to foreclose, the slow procedures involved can be costly to both parties and, sometimes, the change of role on the part of government, from benefactor to claimant, is politically undesirable. Thus, in default of repayments, a writ is issued and the fishing vessel is laid up pending settlement of the claim. The credit authority must then through legal process establish its right to acquire and dispose of the vessel. Under prescribed regulations, sale may need to be effected by means of competitive bids or even public auction. Often the vessel will deteriorate while it is laid up pending sale, or, in any case, maintenance charges of some kind will be incurred. In many cases, the eventual sale represents a considerable loss on both sides. The prospects of recovery are often remote; the fisherman may have lost his deposit and his savings and feel resentment; the Government may have lost a considerable sum and possibly good will as well. It must appear therefore that, however appro-

priate the system may be where economic conditions are stable and the debtors enlightened, mortgage arrangements have certain disadvantages in fishing and, where the Government needs to invoke its legal entitlement, the procedures may prove disproportionately costly. For these reasons, the system has many disadvantages when applied to the lesser-developed fisheries where economic conditions are less stable and more unpredictable and where the fishermen are ill-educated and poor.

Hire purchase

On the information available at present, it is difficult to explain why hire-purchase arrangements for buying fishing equipment have been made so rarely in Europe and North America, where, however, they are so frequently used for the acquisition of durable consumer goods. There may be legal considerations, of course, and, no doubt, fishing vessels were assumed to fall within the same category as other types of shipping. No conclusion can be reached here, but it might be worth while to consider whether the advantages of the mortgage system are not merely notional in the sense that security is based strictly on the value of the loan outstanding rather than on the greater or lesser value of the equipment surrendered, as in the case of hire purchase. Obviously this relationship will change with the period over which repayments have already been made, but for practical purposes again it may be necessary to consider particularly the first few years when the outstanding loans are greatest and when operational difficulties are likely to arise more frequently. In this context, although hire-purchase arrangements are not represented in the scheme now under review (except in the case of Ireland) some observations on these arrangements may be appropriate. Incidentally, it may be noted that such arrangements are very common, and understandably so, in many of the more backward fisheries not described in this review, where engines and novel types of boats and gear are being introduced for the first time.

In contrast to mortgage arrangements, a hire-purchase contract leaves the equipment the property of the credit authority

until the loan is repaid and surrender of that equipment, at whatever period subsequent to the contract, constitutes full discharge of the borrower's or hirer's obligation. Thus, the fisherman cannot lose more than he has already repaid or deposited, while the credit authority can usually take over the equipment without lengthy formalities. If necessary, the equipment can be sold, as under mortgage procedures, but it can also be operated on the credit authority's account or hired to another fisherman. Provision can be made explicitly or by understanding so that the credit authority does not profit to the disadvantage of the fisherman where the value of the equipment surrendered exceeds the amount of the payments outstanding.

A consideration of possibly greater significance arising from the credit authority's ownership of the equipment is that throughout the period of construction or modification of the vessel and of its operation under a hire-purchase agreement, the authority has the power to intervene with full status of owner in such matters as fitting out and maintenance, repair of engines, claims under guarantee, etc. Often, in such matters, fishermen are at a disadvantage, unless they can command reliable legal advice. The authority, on the other hand, is likely to be in a much stronger position in relation to builders, engine manufacturers, etc. Not only can it insist on the full satisfaction of contractual commitments, but it can also demand satisfactory service as a condition of placing future contracts.

Credit sales

This arrangement has been reported only in Ireland, where it is used in connection with loans for the purchase of gear. While not strictly concerned, therefore, with the purchase of fishing craft, it has been included as a matter of general interest in view of the number of schemes in which the replacement and improvement of gear are associated with the replacement and improvement of fishing vessels. The method was introduced in order to identify the worker-owner of the fishing vessel with the ownership of, and responsibility for, gear purchased with the aid of a government loan. Thus, in the event of default, he could be

sued for simple debt. Alternative arrangements had created problems arising from the fact that gear is exposed to considerable risk of damage and loss, and its working life may be very short due to heavy wear and tear. It represents very poor security therefore against the loan advanced for its purchase and recovery of the debt was complicated by the joint ownership of gear practised in many vessels. The advantages of the present system of credit sales are that, legally, it is more convenient to identify responsibility with one individual or undertaking and, in practice, the recognition of this responsibility on the part of the skipper-owner encourages both regular repayments and efficient care and maintenance of the gear.

Insurance

Although the subject of fishing-vessel insurance is one deserving of special study, it is considered here only from the standpoint of security for loans advanced by public authorities. Since, as has been mentioned above, such loans are mainly secured on the equipment acquired, it is natural that they are also made conditional upon insurance of that equipment against the risk of loss and damage.

Unfortunately, the insurance arrangements in many countries are not especially appropriate to fishing vessels. On the one hand, it is extremely difficult for the commercial brokers dealing with marine insurance generally to assess the special risks involved in fishing operations, especially when dealing with only a small number of fishing vessels of different categories. Moreover, as compared with other merchant shipping, these risks may appear rather high in view of the narrower margins of safety frequently observed in order to take full advantage of the waters fished, the very great strains and reduced maneuverability imposed upon fishing vessels when actually fishing, especially in bad weather and in certain areas, and the limited complement of qualified navigating officers carried. In practice, too, the incidence of claims is high. In most fisheries, total loss, collisions, groundings and engine breakdowns do occur with greater frequency than in other shipping enterprises, and, in particular, the great strain on ma-

chinery does often result in breakdown and disablement involving costly salvage claims.

On the other hand, the fishing-vessel owner finds such insurance not only very expensive but also, in many ways, inadequate. However comprehensive his cover, it cannot insure him against some of the serious losses represented by loss of fishing time through interruption of voyage and lay-up for repairs. Conversely, salvage claims are often augmented by claims for loss of fishing time and deterioration of catch, which, of course, are also reflected in premiums.

In these circumstances, there is almost always a strong case for special insurance arrangements, whether private, co-operative or governmental, based on the spreading of risks over as large a number of similar fishing vessels as possible and on various agreements concerning towage and salvage, etc., where actual cost of services rendered rather than the value of the vessel governs the settlement of claims. A number of such schemes, mainly taking the form of co-operatives or mutual insurance societies, are now in operation, e.g., in Canada, Denmark, Federal Republic of Germany, Norway, Sweden and the United Kingdom, and have demonstrated, very convincingly, the practical possibilities of reducing premiums significantly. Initial problems of inadequate operating capital to meet abnormal claims and the consequent need for costly reinsurance are being overcome in many cases, as reserve funds are built up to cover such abnormal risks. A conspicuous example of government initiative in this field is the Fishermen's Indemnity Fund in Canada, where, against an annual premium of 1 percent of the appraised value, the Government indemnifies the owner as to 60 percent of the appraised value in the case of total loss and 85 percent of the cost of repair over and above 30 percent of the appraised value. However, a large proportion of fishing vessels, including many of those to which credit facilities mainly apply, is not covered by such special schemes and, in no case reported to FAO, has such a scheme been introduced or associated specifically with government credit facilities. A further consideration is that, among the smaller categories of fishing vessels, insurance is often not a statutory requirement, and, accordingly, many fishermen have not been

accustomed to paying insurance against all risks. The condition imposed in connection with the award of grants and loans, etc., may, therefore, represent an additional, if entirely justifiable charge, and one which may be high in relation to the boat's earnings.

In such circumstances, it may often be worthwhile to consider whether the risk of financial loss due to shipwreck, collision, groundings, etc., is as great as the risk of default on repayments of the loan where premiums are relatively high. For example, where repayments are calculated over a period of say 20 years at low rates of simple interest, they may not differ greatly from the cost of comprehensive insurance where the latter amounts to 3 to 4 percent per annum of the insured value. Such cases are known, as are those where, but for the cost of compulsory insurance, the defaulter might have maintained his repayments.

While it may be accepted on general grounds that insurance is necessary to protect an individual investment, it may nevertheless be asked whether the Government could not safeguard its outlay on loans more effectively if it accepted the risk of shipwreck, assuming such risk to be spread over a large number of fishing vessels. While such an approach might be quite impossible to follow in practice, an analysis along these lines of the actual costs and risks involved might reveal opportunities for reducing both. If it is agreed in support of government credit schemes that certain classes of fishermen are at a special disadvantage when seeking credit through ordinary commercial channels, it may equally be argued that they are at a similar disadvantage when buying commercial insurance.

Mutual insurance, in some form or another, may therefore prove a great asset to fishermen in many areas but especially in this connection, as a means of protecting loans obtained from government sources. In fact, in some of the most expensive, modern and successful fishing fleets, which have been developed solely on the basis of private investment, mutual insurance and reinsurance have been promoted with outstanding benefit to the respective owners. This itself suggests an even greater need on the part of less well-endowed enterprises. Where no arrangements exist already for the spreading of insurance cover over a suffi-

ciently large number of fishing vessels, this problem might require special attention in connection with the introduction of credit. Special facilities might even be provided in some cases or in others might be assisted especially where inadequacy of reserve funds to meet abnormal claims is a limiting factor. A further consideration which might be relevant is that, where the principle of exclusive membership is observed, such membership might be regarded as a desirable qualification on the part of applicants for assistance. Finally, in connection with the appraisal of risks and the protection considered appropriate, it must be recognized that some of the risks to which fishing vessels are regularly exposed and which often involve serious financial loss, e.g., engine breakdown and other forms of disablement resulting in loss of fishing time and deterioration of catch, etc., cannot be covered by conventional insurance and that the latter therefore, at best, provides only limited protection of the Government's and fishermen's interests. Security in the broader sense may also be achieved by other, possibly less tangible or definable but nevertheless practical, provisions which are discussed in other parts of this review.

Selection and inspection of fishing vessels

It is a normal condition of such financial aid that the government authority concerned has the right to inspect and approve the equipment for which financial assistance is sought. This may be purely for the purpose of appraising value and seaworthiness, etc., or for that of ensuring conformity with specific types and designs of fishing vessels which it is intended to encourage through the provision of credit facilities. In either case there are a number of practical considerations which call for appropriate administrative arrangements, but these appear to vary, in method and scope, among the different countries.

Selection of fishing-vessel types

The problems encountered here are largely legal and financial rather than administrative, since the question of what methods of fishing will be used in any particular vessel is hardly ever

in question. In some schemes, assistance is offered in respect of large sectors of the fishery industry, embracing many different types of fishing vessel and, given certain assurances as to construction, etc., selection is based mainly on the individual merits of the applications received, in terms of the ability of the fisherman to use and repay his loan. In others, assistance is more specifically directed to certain types of fishing whether from the standpoint of assisting those engaged in traditional operations or that of promoting the introduction of new types of craft and fishing methods.

Where types of fishing vessels are specified only within very broad categories, e.g., by reference to maximum tonnage or length or to areas fished, etc., it may happen that the construction of particular types will be encouraged, although this may not be envisaged or intended when planning the scheme. In particular the construction of larger, more expensive types may be encouraged accompanied by some diversion of fishing effort from one type of fishing to another. If the result is that fishermen improve their productivity and incomes thereby, this may be a desirable even if unintended development but, without some form of control, it could lead to excessive competition and possibly lower earnings among certain categories if the development were widespread.

This tendency to take advantage of credit facilities for the construction of larger and more expensive vessels than formerly used, may also mean that in any one period the available funds are spread over a smaller number of beneficiaries than was originally intended so that, in the end, the Government may in fact find it necessary to be selective as to the types of fishing vessels and methods to be assisted.

Where the policy of the Government is to encourage, specifically, certain types of fishing in the interest of the fishery economy as a whole, there is little question that well-planned credit facilities provide one of the most effective means of achieving desirable changes in the composition of the fleets, the distribution of fishing effort and in the balance of the fishery economy. The question is one, therefore, which merits particularly careful investigation in the planning and administration of credit facilities, so that unlooked for changes do not occur owing

to lack of definition in the main provisions or to failure to make timely review of the over-all effects of financial aid on the fishing fleet. Where the changes desired represent a marked change from traditional methods and equipment it is also important that good technical and economic advice should be readily available to prospective beneficiaries.

Design and specification

At the present time, considerable attention is being given by naval architects, gear technologists, fishing-vessel owners and fishermen to the question of the design and specification of fishing vessels. However, although a large body of information has been assembled on these matters, it is still true that a very large proportion of fishing vessels are designed and built in accordance with traditional practice but with many variations among vessels built for similar purposes, both among those fishing the same grounds and those used in different areas. In many cases such variations reflect the judgment of individual owners, skippers and builders. There may be excellent reasons for this situation and the judgment of experienced skippers and builders must always command great respect. However, there are undoubtedly a large number of cases where access to the expert opinion of naval architects and engineers would be of great advantage and might result in improvements of performance and certain economies based on relatively slight modifications. In conjunction with the provision of financial aid, the Government has a strong interest in, and an outstanding opportunity of giving attention to, the design of the different types of fishing vessel to be constructed and of encouraging the adoption of particular designs and specifications. Whether it may be premature or for other reasons inexpedient to encourage radical changes, one matter which must frequently provoke speculation is the relatively high cost of building vessels to the individual specification of their owners and skippers where all are basically similar and will be operated in a similar manner on the same fishing grounds. This is not to suggest whether or to what extent standardization is feasible, but from the standpoint of allocating public funds to best advantage, it might be questioned whether individual devia-

tions from some basically standard design represent a luxury or really do pay for themselves. In practice many profitably employed fishing vessels fall short of perfection by any standards and, in some cases, it might be sound policy to explore the possibility of achieving some degree of standardization which would reduce building costs while still representing a considerable improvement in the efficiency of the fleets.

Even where relatively minor details of specification are considered it is evident that some useful economies and administrative convenience could be achieved. The tendency to include unnecessarily costly fittings and equipment is, of course, reflected in the cost of construction and often has no influence on the efficiency of a vessel, although these may add to its beauty or the prestige of the owner. Even where these are modified during the process of obtaining approval, a certain amount of unnecessary administrative effort is involved. In this connection, some difficulties and even miscalculations may occur, where specifications submitted by builders differ in their lay-out and contents. Certain fittings or outfitting items may or may not be included in the prices quoted. It should be made clear what items are to be included in the specification and to what extent extras of any kind may be covered by the scheme. Standard lists and specification of items to be so included, would be useful in many cases.

In all these matters appertaining to design and specification the Government has an obvious interest which can usually best be served if disinterested professional advice is freely available both to the Government and to prospective vessel owners.

Inspection of fishing vessels

This obvious requirement is provided for in most schemes and is one which is of great importance with regard to specification and also to the Government's interest in the satisfactory fulfillment of contractual obligations on the part of boatbuilders, engine manufacturers, etc. Administratively, the organization of adequate inspection services may create some problems especially for small departments with few outposted staff. Many fishing vessels are built in small sea ports which may be remote not only

from the main transport services but also from the fishing center where the prospective owner lives and will operate. It may be physically difficult, also costly, to meet the requirement that inspection should be made at appropriate intervals with full consultation between the inspector, the builders and the prospective owners. Where inspection is confined to the seaworthiness and safety of the vessel under construction, the services of local officials concerned with merchant shipping and naval construction in general can usually be provided. However, in very many cases such limited inspection is unlikely to safeguard the best interests of either government or fishermen.

Perhaps, in the long run, the public interest and that of the fishery industry would be better served if inspection were organized not merely on the basis of ensuring observance of statutory regulations, but as part of technical advisory services to fishermen.

Placing and fulfillment of contracts

Whether it is the fisherman himself or the Government which actually places the contract for building or for the supply of engines, winches, etc., this matter calls for careful supervision. In many cases the fishermen are not familiar with the procedures involved and may inadvertently commit themselves without having authority or the means to do so. Cases have even been recorded of a fisherman signing contracts committing him to the purchase of two boats. While legal responsibility may clearly belong to the fisherman, there is perhaps a moral responsibility on the part of the Government for ensuring that he receives timely advice, which often needs to be given orally rather than by correspondence or through study of official documents.

With regard to the contracts themselves, the delicate question which may arise is whether the prices quoted are to any extent influenced by the knowledge that the Government will provide the means of payment. In the ordinary way the hope of a series of contracts over a long period, such as might be envisaged by credit facilities, would be conducive to keenly competitive prices among prospective builders. However, unless there is known to be critical supervision of contracts on the basis of accurate costings,

it may happen that tenders are based on somewhat high estimated costs of materials and labor and on somewhat extravagant specifications. This is a further reason for the thorough inspection and advisory services mentioned before. On the other hand, where competitive bids are called for, the same need for professional scrutiny of contracts is evident, since acceptance of the lowest bid may not be consistent with the best interests of either the fishermen or the Government.

From the practical standpoint, this means that the examination and award of contracts should not be a separate administrative function but should be associated as closely as possible with the administrative arrangements governing the approval of designs and specifications and the inspection of vessels during and after construction. Although this is obvious, it may nevertheless call for certain special measures to achieve desirable coordination between different departments or agencies concerned with the administration of credit facilities. With regard to the fulfillment of contracts it may be assumed, as mentioned earlier, that the Government is in a much stronger position than the individual fisherman to interpret and to ensure satisfaction of the obligations of builders and manufacturers. Apart from such obvious questions as the adjustment of tenders to accommodate statutory increases in the cost of labor and materials and the deferment of delivery dates in recognition of unforeseeable contingencies such as weather and strikes, there are such matters as guarantees which require particularly careful study and on which it is important that the prospective owner should be adequately advised. Often the fisherman is inclined to think in terms of moral rather than contractual or legal obligations. This is particularly true in the case of engines where the manufacturer's responsibilities may extend to replacement of the engine or to faulty parts thereof, but never, in FAO's experience, to compensation for loss of fishing time, deterioration of catch, salvage charges, labor, dry-docking or slipping, etc. — the cost of which may far exceed the manufacturer's legal responsibilities under the contract.

As more and more marine engines have been developed for use in fishing and as more experience has been gained of the

particular demands made by fishing operations on propulsion units, the problem has become less important than it was some years ago when the available range of well-tried engines specifically designed for fishing was smaller than now and when breakdowns commonly occurred due to the installation of units which were underpowered or not perfectly adapted in certain ways to fishing conditions.

Legally there is seldom any question of allocating responsibility but, again, the Government can assist by insisting on the installation of properly designed and tested engines and by handling negotiations with manufacturers on behalf of the fishermen.

Operation and maintenance

Although this subject does not fall properly within the scope of inspection services, it is mentioned here because of its bearing on the selection of fishing vessels and equipment in relation to the qualifications and experience of the prospective owners. The high cost of mechanical breakdown and disablement during fishing operations has been repeatedly stressed above and it is quite obvious that in determining the suitability of any type of fishing craft for certain operations, some account must be taken of the facilities available for maintenance and repair at the port or harbor in which the vessel will be based. A particularly important factor is the speed with which repairs or servicing routines can be carried out, spares supplied, etc., so as to reduce to an absolute minimum the turn-round of vessels in harbor. One of the most striking aspects of the organization of modern fleets based on large ports is the rapidity with which the various routines involved in preparing for the next voyage are performed and, in emergency, with which certain repairs and replacement are effected. This is particularly true in harbors where access is governed by tides. Short range operations conducted by small vessels may permit more flexibility but there is the same need to avoid all possible loss of fishing time. In many very small fishing centers repair and maintenance facilities are extremely

limited and qualified Diesel mechanics may not be readily available.

This problem may call for special arrangements to assist owners to obtain the services they need, e.g., by periodical visits to better equipped harbors possibly in conjunction with regular fishing voyages. In any case, it is desirable to arrange for the periodical inspection of hulls and machinery by qualified inspectors, especially during the first few years over which the assistance is being granted.

At the same time, it must also be recognized that for a large part of the time, fishing vessels are cut off by their normal operations, from shore facilities. The attention given to engines and other equipment at sea is, therefore, of special importance also. In very many cases, the small complement carried, does not include a qualified mechanic as such and often the skipper-owner himself is directly responsible for the use and care of his engine at sea. He may have few qualifications for this task especially where modern Diesel engines are concerned. Manning requirements vary a good deal among the different countries but, whether training and certification are prescribed statutorily or not, it would seem a desirable precaution to ensure that at least one member of the crew is adequately trained to follow the routines prescribed for the continuously efficient performance of the engines and other machinery installed. Formal training may not always be available but it might be possible in some cases to follow the example set in certain countries, and to arrange for prospective owners or selected fishermen, to receive training in the workshops of the manufacturers supplying the engine and machinery.

Consultative arrangements

It will be evident from any consideration of the problems discussed above that it is seldom possible for any credit authority or government department responsible for such credit to deal with all such problems from within its own organization. Capacity will vary greatly in accordance with the size and authority of the fishery administration and the extent to which its field ser-

vices have been developed. Whatever special arrangements may be called for to ensure adequate liaison with fishermen and the most efficient use of financial aid in any of its forms, it may be concluded with particular reference to the problems of design and inspection mentioned above, that in all cases it is desirable to promote consultation between the Government (or credit authority), the fisherman-owner, the naval architect and the boat-builder. In fact, all have an interest in the successful administration of the scheme since, if the purposes of the scheme are fully understood, all should be equally concerned to co-operate. To achieve such consultation may be difficult in view of the distance of many fishing centers from the central administrative authority. The problem may be overcome to a large extent by the handling of applicants on a regional or district basis and by arranging, periodically, within such districts, for a representative of the credit authority accompanied by one of the official inspectors or consultants, to interview applicants and builders, preferably before contracts and specifications are drawn up. In many cases this might represent an inconvenient departure from current practice, especially where applications must be accompanied by contracts or offers in respect of the vessels to be acquired. If, for various reasons, it is not practicable to arrange such joint consultation before applications are prepared, it should at least be possible for applicants to obtain general advice locally, both on administrative and legal aspects and, wherever possible, on technical aspects. It would also be desirable in most cases to arrange periodic consultations between representatives of the various interests concerned, for the purpose of reviewing schemes in general. In connection with the above, three stages of consultation may be distinguished thus:

(*a*) centrally and regionally, as appropriate, between representatives of the government authorities, including technical officers or consultants concerned with naval construction and fishing methods, representatives of the fishermen and representatives of boatbuilders, for the purpose of discussing the purpose, nature, administrative and technical aspects of the financial assistance to be offered;

(*b*) consultation locally concerning individual applications for assistance under any such schemes established;

(*c*) periodical consultation to review the progress and results of such schemes.

Repayments

The variety of procedures governing the repayment of loans reflects so many different features of local fishery situations that it is difficult to review them on any other than a local basis. Perhaps the first general observation which may be offered, therefore, is that where a scheme embraces the whole fishing industry or large and varied sections of it, it may be desirable to permit different repayment procedures to be followed consistent with different areas, types and seasons of fishing and different methods of landing and marketing. Some further comments are offered below on different aspects of repayment procedures with reference to the more common practices followed.

Duration

For practical purposes the limit on the duration of payments is governed by the normal "life" of the equipment purchased although, in practice, both fishing craft and engines have continued in use long beyond what might be regarded as their normal working life. If the investment is economically sound it should be possible usually to effect repayment well within this period. In some schemes the practice is to base the maximum period of repayment on a period corresponding to or shorter than the accepted working life of the vessel or equipment purchases, and to encourage repayment over a shorter period often by means of incentives such as progressively lower rates of interest over such shorter periods. However, there are some notable differences in the requirements of the different schemes, and these may be based not only on the expected "life" of the equipment but also on the ability to repay, which will vary among the different

fisheries. Thus, while in the United Kingdom, repayments on vessels may be calculated over 20 years, in France, Denmark, Ireland and Sweden, repayments are based on periods up to 10 years, and Norway up to 18 years. On engines, repayments cover a shorter period, naturally, but even so the period may vary between two and five years.

In this connection, a further important factor which must be taken into account is the age of the applicant. An applicant of 60 years old or more, however efficient as a fisherman, could not be expected to qualify for a loan extending over 20 years or so unless he were party to a joint venture, for example with a son or other younger man.

Calculation

There are many different ways of calculating the amounts to be paid and these reflect different circumstances in different fisheries. However, a distinction may be made between fixed amounts calculated by divisions of the principal and interest over a period and amounts which vary with the value of catches. In the case of fixed payments, repayment may be in the form of equal installments covering principal and interest over the whole period of the loan or equal divisions of the principal plus interest charges which reduce as the outstanding balance of the principal reduces. A special feature of some schemes, which represents a very practical recognition of the difficulties of fishermen during the first years of ownership, is the deferment of repayments, in whole or in part, for the first one or two years.

Where the value of the catch is taken into account, repayments are usually based on a proportion of gross or net proceeds of catches. This proportion may even be varied in recognition of seasonal fluctuations and one case is known where this reduces from 25 percent during the main fishing season to 10 percent during the slack season. In another case a combination of fixed and variable payments is used whereby the borrower guarantees to pay either a minimum sum based on equal installments of principal and interest or a fixed percentage of the net earning of his catches, whichever is the greater. On the whole, it would

appear only realistic to establish some relationship between the value of repayments over any particular period and catch earnings during that period, although naturally their value in relation to the total amount of the loan must also be considered. In fact, the proceeds from catches represent the only real security for the loan advanced and, if at all possible, repayments should be so calculated and timed as to take advantage of the most successful fishing voyages without penalizing the borrower when his earnings are temporarily low. At the same time, where repayments are related solely to the value of the catch, or rather where the fisherman's obligation to make repayments is defined in these terms, there is sometimes the danger of reducing his incentive to achieve maximum efficiency in his operations. In many cases the most satisfactory solution would appear to be in some combination of a reasonable minimum repayment with some share of catch earnings over a certain level and some form of premium or bonus to attract repayments in excess of the statutory minima.

Timing

This matter is closely associated with the form of repayments and with the organization of the fishing operations. Seasonal fluctuations are particularly important in this connection. Although payments may be arranged on a weekly, monthly or quarterly basis, by far the more common arrangement is to base payment on a completed voyage or, where these are of very short duration, on a series of voyages.

In any case, whatever the frequency of payments, it will usually prove expedient to set some periodical target so that the individual payments aggregate a prescribed total sum over a given period. In Denmark, Norway and the United Kingdom, for example, repayment is calculated, for statutory purposes, on the basis of equal half yearly instalments of principal and interest. The main purpose obviously is to accommodate normal seasonal fluctuations of fishing and it will be obvious that in most fisheries a system of fixed payments at very brief intervals would not be advantageous either to the fisherman or the Government.

Collection

The various ways in which payments may be collected are rather self-evident and require little discussion. Much depends on the marketing methods used. Where the credit authority or fisheries departments have local offices, payments may be made direct by fishermen, they may be paid by fishermen into a bank account kept for the purpose, or they may be deducted by the Government or, on its behalf, from the proceeds of auction or other sales. In the main this is an administrative problem for the Government, especially where a large number of scattered fishing centers is concerned.

With regard to the question of repayments generally, reference has already been made to the desirability of linking and varying the amount of periodical payments with the value of the catches. This implies a close knowledge of fish-marketing conditions generally and of first-hand sales in particular. This may be a problem in some countries, especially where fisheries are in the early stages of their development and where government services are still small and inexperienced. This, in turn, emphasizes the need to consider credit facilities and other forms of financial aid, with reference to the fishery industry as a whole rather than any one sector and also to the capacity and experience of the departments and agencies concerned with the administration of such facilities.

Conclusion

In the Foreword to this review, it was stated that the present state of information concerning financial aid for fishing craft, and especially concerning the results of such aid, does not permit any comprehensive review leading to recommendations as to the most effective practices in given fisheries situations. The factual summary of various measures which follows, together with the observations offered above, serve to illustrate how governments have endeavored to meet the needs of fishermen and to adapt their different measures of assistance to the hazards and fluctuations inherent in fishing operations, while maintaining effective admin-

istrative control consistent with the public interest. It is hoped that this review will illustrate the complexity and difficulty of this problem and endorse the need for a more comprehensive and reliable exchange of information and views among the governments and industries concerned. When it is considered that financial assistance of the kind discussed here has proved to be one of the most important features of governmental aid to fisheries industries, even or perhaps especially, in the more advanced fishing countries and when it is further recognized that very considerable importance is attached to similar measures as a means of accelerating the development of backward fisheries industries all over the world, the need for assembling information and views based on practical experience already gained, becomes even more evident especially from the standpoint of FAO's work in this field.

SUMMARIES OF SELECTED SCHEMES

The following pages outline the provisions of 31 selected schemes of 13 countries. The statutory bases for them are listed in Appendix 3.

Of the schemes summarized, 17 provide for loans only, 5 for grants only, one for both loans and grants, one for grants, loans and other assistance, and 7 for assistance other than loans and grants. Appendix 1 gives a classification of the schemes reviewed by country and by type of assistance provided.

The principal features of the schemes reviewed are shown in Appendix 2.

The information presented is up to date as of 31 May 1957, although in some cases more recent information has been incorporated where this was reported before completion of the manuscript.

Loans and other supports

The Minister of the Navy is empowered under the law of 23 August 1948 (as amended on 7 June 1949) to render various forms of financial assistance for, among other purposes, the maintenance and enlargement of the fishing fleet. Accordingly, the following measures have been authorized:

(*a*) loans not normally exceeding 70 percent of the cost of the construction or improvements for which required;

(*b*) guarantees of loans made by Belgian credit institutions, including principal, interest and incidental charges;

(*c*) payments to recipients of loans under (*b*) above of not more than half of the interest charged on such loans up to a maximum of 3 percent per annum on the balance to be repaid;

(*d*) investments for certain purposes as specified in Article 1*d* of the law;

(*e*) guarantees of interest or dividend up to a maximum of 5 percent per annum over a period not exceeding 10 years on new private investments for certain purposes as specified in Article 1*d* of the law.

The total amount covered by the guarantees provided in (*b*) and (*e*) above may not exceed 2,500,000,000 Belgian francs.

With the exception of the subsidies under (*c*) above, which are provided under regular annual budgetary appropriations, such

assistance is financed from a special fund - Fund for Naval Construction and Shipbuilding [Fonds de l'armement et des constructions maritimes].

Repayments of loans or other investments under (*a*) and (*b*) and the payments of interest or dividend on such loans or investments are paid into this Fund. The Fund, which may not at any time exceed 2,000,000,000 Belgian francs, is maintained from annual appropriations under a special budget. The minimum net sum available to the Fund in any one year is 300,000,000 Belgian francs.

A technical committee, composed of 14 members representing various interests, has been set up to advise the Minister of the Navy on all transactions under this law. This committee submits an annual report to the Minister on such transactions.

Federal grants

The Minister of Fisheries may make payments not exceeding $165 per ton gross tonnage, for new construction of fishing vessels of the dragger or long-tiner type, providing the vessels are (1) owned by one or more fishermen and measuring not less than 45 feet and not more than 60 feet over-all length of main hull, or (2) owned by any group of four or more fishermen and measuring not less than 60 feet to a maximum over-all length of main hull to be determined by the Minister. "Group of four or more fishermen" includes co-operatives and incorporated companies. In the case of a company not less than 51 percent of the stock of the company shall be held by not less than four fishermen.

In order to establish administrative machinery in dealing with the payment of financial grants, the Minister of Fisheries shall enter into agreement with a provincial government department or agency. Under these agreements it is provided that:

(*a*) before qualifying for payment of a grant the plans of the vessel must be approved by the Board of Steamship Inspection of the Federal Department of Transport and certified that it is of the long-liner or dragger type;

(*b*) that a vessel receiving a grant must be kept fishing each season for a period of 5 years from the date of issue of an inspection certificate by the Federal Board of Steamship Inspection;

(*c*) the provincial government department or agency must assume responsibility, by marine insurance or otherwise, of such vessels against loss or damage to the extent of the amount paid as a grant by the Minister of Fisheries;

(*d*) the return fo the grant in part or in full on any vessels where the conditions have not been fulfilled.

Federal payments of loss on guaranteed loans

Under the Fisheries Improvement Loans Act of 11 July 1955 and the pursuant Fisheries Improvement Loans Regulations of 16 November 1955, the Minister of Finance of Canada (the Minister) shall pay to a lender loss on certain loans (guaranteed loans).

The Minister is not obliged to make payment to a lender in respect of a guaranteed loan unless the loan is made within a period of three years from the date the Act came into force. This means that the guarantee comprises only loans made prior to 12 December 1958. It is reasonable to assume, however, that this date will be extended after 12 December 1958.

GUARANTEED LOANS

Loans in respect of which payments shall be made (guaranteed loans) are outlined below.

Organization, beneficiaries and applications

Loans are made to fishermen from certain lenders — co-operative credit societies designed by the Minister, or banks. The fisherman submits his signed application on a prescribed form as attached to the Regulations. A responsible officer of the lender scrutinizes and checks the application with the care required of the lender in the conduct of his ordinary business.

Purpose and amount

The maximum amount of guaranteed loans to the fleet[2] vary with the purpose as follows:

(1) for the purpose of financing the purchase or construction of fishing equipment:

(*a*) in the case of new fishing equipment other than primary catching devices, 70 percent of the cash purchase price of such equipment or 70 percent of the cost of construction;

[2] Guaranteed loans are also granted for financing shore installations, etc., used in primary fishing enterprises.

(*b*) in the case of used fishing equipment for new or used primary catching devices, 60 percent of the cash purchase price thereof or 60 percent of the cost of construction.

(2) for the purpose of financing the purchase or construction of a fishing vessel or for the purpose of financing the major repair or major overhaul of a fishing vessel or its hull, superstructure or engine:

(*a*) in the case of a new fishing vessel, 70 percent of the cash purchase price or cost of construction;

(*b*) in the case of a used fishing vessel, 60 percent of the cash purchase price;

(*c*) in the case of major repair or a major overhaul of a fishing vessel or its hull, superstructure or engine, 60 percent of the estimated cost.

Where the fisherman himself does some proportion of the work involved, the amount of the loan does not exceed an amount equal to his cash outlay.

The sum of the loan amount and other amounts that are owing in respect of previous guaranteed loans made in respect of the same primary fishing enterprise do not exceed $4,000.

Repayment period and rate of interest

The general rule for repayment is laid down in the Act, stating that guaranteed loans are to be repayable in not more than *eight* years. According to the Regulations, loans for the purpose of financing, purchase and construction of fishing equipment and for the purpose of financing major repair or major overhaul of a fishing vessel or its hull, superstructure or engine, are made for a maximum period of three years. The Regulations also provide a shorter maximum repayment period than eight years for all loans less than $4,000, according to the following scale (*see* over):

Loan not exceeding	Maximum term
$400	18 months
$750	2½ years
$1,500	4 "
$2,500	6 "
$3,000	7 "
$4,000	8 "

As a main rule, repayment of a loan is required to be made in installments which are payable at least once a year, but some special provisions in the Regulations specify more frequent installments.

Subject to these above-mentioned provisions, the repayment of a loan is fixed by the lender, who shall do his best to see that the terms conform to the probable ability of the borrower to pay.

The rate of interest charged by the lender shall not exceed *five* percent per annum.

Security

The guaranteed loans are secured by at least one of the following measures:

(*a*) a promissory note on a special form, as attached to the Regulations, signed by the fisherman and endorsed by one or more financially responsible persons;

(*b*) on an insured fishing vessel by way of mortgage;

(*c*) if the amount of the loan is $1,000 or less, by an effective assignment on a special form as attached to the Regulations.

Some other conditions

If the borrower is in default in respect of any payment on a loan, the entire amount of the balance outstanding on the loan shall, at the option of the lender, thereupon become due and payable. The lender may then take such steps as he considers advisable in the circumstances.

Where a borrower is in default or advises the lender that some of the terms of the agreement in connection with his loan are such that he will have to default, and where in either case the lender is of opinion that a revision or alteration of some of the terms of the loan agreement will enable the borrower to meet his obligation, the lender may, with the approval of the borrower, alter or revise the agreement according to Section 14 of the Regulations.

The extent of the government guarantee is limited to 15 percent of that part of the aggregate principal amount of the guaranteed loans made by the lender that does not exceed $500,000 and 10 percent of that part of the aggregate principal amount of the guaranteed loans made by the lender that exceeds $500,000.

Grants in the Province of Newfoundland

In Newfoundland, assistance may be made under the Fishing Ships (Bounties) Act of 27 April 1955 and the Fishing Ships (Bounties) Regulations of 30 August the same year. The Act was enacted by the Lieutenant-Governor and House of Assembly in Legislative Session and the Regulations by the Minister of Fisheries and Co-operatives, according to authority conferred by the Act.

Beneficiaries, applications and their approval

An individual applicant must be a British subject and bona fide resident of Newfoundland. In the case of an organization of any kind making application, at least 50 percent of its members must be British subjects who are bona fide residents of Newfound-

land, or the controlling interest in the organization must be held by British subjects who are bona fide residents in Newfoundland.

The applicant submits his application to the Minister of Fisheries and Co-operatives (Minister) before he lays the keel. At the same time he supplies the Minister with plans, technical and other information that the Minister needs when considering the application, the approval of which takes the form of a permit to build a vessel.

The permit can only be issued to applicants who give an undertaking to the Minister that during a certain period (five years) the engine, power equipment, mechanized gear and the ship itself will be operated only by persons who have sufficient working knowledge of these facilities. There is no condition that individual applicants, or members of applying organizations are fishermen. If, however, an individual applicant is a fisherman, it is also a condition that he has been so for a period of not less than two years.

Even if all conditions mentioned in the Act are fulfilled, the Minister is not legally bound to issue the permit — he may issue it. In making his final decision, the Minister may, for example, take into consideration the applicant's connection with the fishing industry.

Purpose and amount. Other conditions.

The Minister shall, for the construction of vessels, make grants (bounties) of $160 per gross ton for boats up to 150 registered gross tons. The Lieutenant-Governor, however, may, by regulation, permit grants on tonnage in excess of 150 tons. Grants shall be made only in respect of vessels which:

(*a*) are built under a permit;

(*b*) are built by an approved builder;

(*c*) are surveyed and approved by an appointed inspector at three stages of the construction (these stages are defined in the Act) and once when the ship has been completed with the gear and equipment fitted, and has had a sea trial satisfactory to the Minister;

(*d*) fulfill many of general as well as detailed technical conditions laid down in the Act and Regulations;

(*e*) owners or applicants for permits undertake in writing to use the vessel mainly in the fisheries of Newfoundland for a period of five years succeeding building period;

(*f*) fulfill some other conditions which are laid down mainly in the Act.

Rules for approving builders, to ensure that they have sufficient technical experience in undertaking the construction, are included in the Regulations.

The surveys and approval of an inspector at different stages of the construction secure that the very detailed technical conditions required can be controlled, and that eventual corrections can be made at an early stage.

The most important technical condition for paying a bounty is that the vessel is at least of 12 register gross tons under deck. The Lieutenant-Governor-in-Council may, however, by regulation, permit the payment of bounty on ships less than 12 tons.

The right to receive payment of a bounty on the construction of a ship usually accrues upon her being registered, but the Minister may cause to be paid such advances as he may think fit upon the first, second and third of the above-mentioned surveys. The total amount which the Minister may pay by such way of advance shall not exceed in all three quarters of the bounty estimated to be due in respect of the ship upon completion.

By signing the form of application the applicant undertakes, if a bounty is paid to him, certain responsibilities for the use, maintenance and legal disposition of the vessel within the control period of five years following the construction period. The control is undertaken by inspectors on instruction from the Minister.

In certain cases of serious default, e.g., if the vessel is sold to a person not mainly engaged in the fisheries of Newfoundland, the applicant shall repay the whole bounty or such portion of it as the Minister deems fit. In this case the purchaser of the

vessel is also responsible for such repayment and the Minister may require any such person to execute and deliver to him a statutory mortgage made and registered in accordance with the Canada Shipping Act.

Loans in the Province of Nova Scotia

In the Province of Nova Scotia loans and advances are provided for in the Fishermen's Loan Act of 6 April 1944 (the Act) and the pursuant Regulations of the Fishermen's Loan Board of Nova Scotia (the Regulations).

The assistance is rendered from the Fishermen's Loan Board of Nova Scotia which is a body corporate supervised by the Minister of Trade and Industry. The members and Chairman of the Board are appointed by the Governor-in-Council. In order to carry out its work the Board may appoint a staff of its own.

The original capital of the Board was raised by the Act.

The regulations, which include detailed provisions for the loans are divided into four parts:

I - Loans to fishermen

II - Loans to associations of fishermen

III - Loans to companies

IV - Loans to registered builders

Part I - Loans to fishermen

According to Part I of the Regulations, the Board may make loans to a fisherman who is a British subject, has been resident in Nova Scotia for a period of five years, has at least two years fishing experience, is between certain limits of age, etc. The purpose for which loans may be made are: (1) purchase of hulls

and boats, (2) purchase of engines and auxiliary equipment, and (3) purchase of fishing equipment.

(1) The regulations distinguish between (*a*) loans for the purchase of hulls or boats to be built under contract between the applicant, builder and Board, and (*b*) loans for the purchase of hulls and boats *not* to be built under such contract.

(*a*) These may be made if the hull or boat is to be built in conformity with specifications of the Board's naval architects. Each loan shall be for a period not exceeding five years. However, in cases where the applicant may claim for federal grant the Board may at its discretion make provisions whereby 75 percent of every such loan shall be repaid within a period not exceeding five years and the balance repaid within an additional period not exceeding five years.

(*b*) Applications for these shall be accompanied by a certificate from an approved inspector. Loans may be made only in respect of boats of 10 tons (register gross tons) or greater, and shall be for a period not exceeding eight years less the age of the boat.

(2) Applications shall be made in a form prescribed by the Board. Each loan shall be for a period of not more than three years in the case of a gasoline engine, and not more than five years in the case of a Diesel engine.

(3) Applications shall be made in a form prescribed by the Board. Each loan shall be for a period not greater than three years.

In all cases [(1), (2) and (3)], applications must be accompanied by deposits. The amount of these is usually regulated to certain percentages (20, 30 or 50) of the *gross cost* (eventually estimated gross cost) of the project for which the loan is made. However, in cases where the applicant claims a federal grant through the Board — the deposit shall be certain percentages of the *gross cost less the federal grant.*

Part II - Loans to associations of fishermen, and
Part III - Loans to companies

According to Parts II and III of the Regulations, the Board may at its discretion make loans to associations of fishermen [3] and companies [4] for the same three purposes as under Part I: (1) purchase of hulls and boats, (2) purchase of engines and auxiliary equipment, and (3) purchase of fishing equipment.

The conditions on which these loans may be made are very similar to those of loans to fishermen under Part I and will, therefore, not be dealt with here.

Parts II and III also include provisions for loans for a fourth purpose: capital expenditure considered by the Board to be proper expenditure for which loans should be made. These provisions involving great power for the Board, can be used for making loans to the fleet not authorized under Part I (for purchase of seines, nets, etc.). Their main importance is, however, that of authorizing assistance in the construction of plants and the purchase of plant and equipment generally.

Part IV - Loans to registered builders

The Board may establish a register of builders by whom all boats or hulls to be built under contract with the Board must be constructed. The Board may from time to time alter or amend such a register.

The Board in its discretion and upon such terms and condi-

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[3] "Association of Fishermen" is interpreted as the Co-operative Association to which Chapter 7 of the Acts of 1935 applies, a reasonable proportion of the business of which is the catching, handling on behalf of fishermen, preparing for market or marketing of fish or fish products, or a company incorporated for the purpose of purchasing or building a boat in which company not less than 51 percent of the stock is held by not less than four fishermen who are, or will be, members of the crew of the boat.

[4] "Companies" is interpreted as being a corporation registered under the Nova Scotia Companies Act which owns land, plant and/or equipment in Nova Scotia, and regularly carries on the business of catching, purchasing, preparing for sale or selling of fish or fish products.

tions as it thinks fit may make loans to registered builders to be used in the purchase of tools and equipment necessary for the more effective carrying on of the building of boats and hulls for use in the fishing industry. Each such loan shall be repaid within such time as the Board may determine, but in no case later than ten years from the date upon which it was made.

General

All loans shall bear interest, the rate of which is fixed by the Board. Also the two following provisions are applicable to all loans under the Regulations (Parts I, II, III and IV).

> Any deposit received with an application for a loan shall be placed to the credit of the applicant if the loan is made. If the application is rejected, the deposit shall be returned to the applicant.
>
> No loan shall be made until the applicant has executed such promissory notes, contracts, mortgages, assignments or other assurances as the Board may require to secure repayment of the loan and the performance by the applicant of the terms and conditions upon which such loan is made.

Loans for developing the fishing fleet of Nova Scotia may also be made under the Industrial Loan Act and Regulations and the Industrial Development Act. This legislation has, however, not been used for loans for fishing vessels except in one or two special cases where the plant and equipment proposed by the applicants included vessels, among other things. These Acts are not designed specifically for vessel financing and have not been used for that purpose to any great extent.

The Industrial Loan Act contains sections repealing the Fishermen's Loan Act and abolishing the Fishermen's Loan Board. These sections are not yet in force. They were inserted in the Industrial Loan Act to facilitate reorganization and consolidation of the loan facilities in the Department of Trade and Industry. So far it has not appeared desirable to effect consolidation to that extent.

Loans in the Provinces of New Brunswick and Prince Edward Island

In the Provinces of New Brunswick and Prince Edward Island loans are provided for in Acts passed respectively in 1946 and 1936. The regulations pursuant to these Acts are for New Brunswick from 1946 and for Prince Edward Island from 1949 with amendments in 1950.

The two schemes for these provinces are very similar to that of Nova Scotia — most of the provisions included are formulated in precisely the same way. The only differences worth mentioning will therefore be dealt with in the following:

Whereas the Loan Board of Nova Scotia does appoint employees and fix their remuneration, this power is in New Brunswick and Prince Edward Island with the Governor-in-Council and Lieutenant-Governor-in-Council, respectively.

The Loan Board of Nova Scotia makes loans to individual fishermen, associations of fishermen, companies and registered builders. The Loan Board of New Brunswick is empowered to make loans to the first three of these categories of applicants, but not to registered builders. On the other hand, in New Brunswick, a group consisting of any number of fishermen may obtain a loan from the Board under the same conditions and for the same purposes as individual fishermen.

In the Prince Edward Island scheme there is an interesting provision pertaining to repayment of loans for the purchase of hulls or boats. Notwithstanding other provisions in the scheme (which provides five years for boats and hulls to be built under a contract between the applicant, builder and Board and eight years less the age of the boat for boats or hulls *not* to be built under such contract) the Board may provide for and accept repayment of the loan (principal and interest) on the basis of $12\frac{1}{2}$ percent of the proceeds of all fish landed by the borrower and crew members of the vessel, provided that the vessel has a hull of 10 gross registered tons or more.

In Prince Edward Island, the Board makes loans only to fishermen. The parts of the Regulations of 1949 dealing with loans to associations of fishermen, companies and registered builders were revoked in 1950.

Interest and life insurance allowances in the Province of Quebec

The Department of Fisheries of Quebec pays 4 percent interest on fishermen's loans from certain credit unions (caisses populaires). Furthermore, the same Department pays the life insurance premium for the borrower in these unions at the rate of $0.10 per $100 per month. Provisions for these allowances are laid down in Order No. 995 of 3 September 1953.

Allowances are made in respect of loans which are in conformity with regulations established by the credit unions and which are outlined in the following.

Loans are granted to bona fide fishermen for purchase or construction of fishing vessels up to 45 feet and for purchase of engines, equipment and gear. The maximum amount lent for the acquisition of a vessel varies with the length of the vessel according to the following scale:

25 to 30 feet - $450

30 to 35 " - $600

35 to 40 " - $1,000

40 to 45 " - $2,000

Each loan for the purchase of engine and equipment gear does not exceed $1,500.

Loans for the acquisition of vessels are made for a period of four years, repayable each year at a rate of one quarter of the amount lent. Loans for other purposes under the Regulations are repaid in two years by two equal payments.

The rate of interest is 6 percent per annum.

The borrower is treated as an ordinary borrower under the Maritime Credit Plan and accordingly he must be a shareholder of the Credit Union and furnish the guarantees required by the Credit Union's Act. In addition to these guarantees, loans are secured by a promissory note endorsed by two persons and

guaranteed by transfer of the fishing boat and its motor and engine to the Credit Union by a deed signed before two witnesses.

Prior to the disbursement of a loan the life of the borrower is insured at an amount equal to the value of the loan.

Sales on credit terms in the Province of Quebec

As mentioned above, loans are made for acquisition of vessels up to *45 feet* only. Larger vessels, which qualify for federal grants, are sold by the Minister of Fisheries to fishermen on credit sale terms. A contract is established in each case between the fisherman and the Minister of Fisheries representing the Province. In this contract the Minister undertakes to arrange for construction and delivery to the fisherman of a vessel of a certain type, size, purchase price, etc.

The fisherman undertakes to pay a certain initial amount. The remainder of the purchase price is to be paid by monthly instalments equal to $12\frac{1}{2}$ percent of the fisherman's catch value, which is deducted by the buyer of the fish, and forwarded to the provincial agency to be credited against the fisherman's debt.

Loans from the Fishery Bank

Loans are provided for in the law of 23 March 1932. Many amendments and additions have since been made to the original law, mainly by the law of 31 March 1941. The loans are furthermore governed by regulations made by the Ministry of Fisheries and Agriculture and rules made by the Fishery Bank and approved by the Ministry.

Organization and financing

Loans may be granted from the Fishery Bank which is a corporation established by the law and having the objective of financing the fish industry. At the start it received a state loan of D. Kr. 5,000,000 (the equivalent of $700,000) paid in nonliquid bonds. The Bank pays interest on this loan at the rate fixed on the bonds. It is permitted to raise further capital by issuing ordinary bonds and cash bonds. The latter are guaranteed by the State and admitted for quotation on the stock exchange. The total face value of the bonds issued by the Bank must not exceed D. Kr. 30,000,000.

Every surplus must be transferred to the Reserve Fund - so there are no profits to be paid. If the accounts show deficits for three consecutive years, Parliament must decide whether the Bank should continue and under what conditions.

The Bank is accountable to the Minister of Fisheries who may demand any information necessary to form an opinion about the position of the Bank. All management expenses are paid by the State, the money being voted in the budget each year. The Bank has been exempted from payment of stamp duty on all documents issued and used by the Bank.

The Bank is managed by a board of three members. Two of these are appointed by the Minister of Fisheries and one by the Minister of Finance. The members hold office for six years.

Beneficiaries and applications

Provisions are laid down to ensure that the applicants for loans are Danish subjects or, in the case of an applicant association, that at least half of the capital belongs to Danish subjects.

Applications are sent to the Bank on prescribed forms in which a complete plan for financing the project has to be given.

Persons who are experts on building ships and factories are attached to the Bank and assist in valuing securities lodged against the building of new ships. These experts scrutinize the building contracts and submit recommendations to the Bank with regard to the size of the loans which, as a rule, do not exceed 50 percent of the initial cost of the project.

The staff of the Fishery Control assist the management of the Bank in obtaining information about applicants. They also inspect the securities for loans.

Purpose, amount and security

As regards loans for the fleet, these may be for the purchase of new as well as second-hand vessels. These loans do not, as a rule, exceed 50 percent of the value of the vessel even though, in the case of a new vessel, loans, according to the rules, may be made up to two thirds of the value. Loans up to 50 percent of the cost may also be granted for installation of engines.

These direct loans to the fishing fleet are usually secured by the mortgage of the vessels. Such loans may, however, be granted against such other security as is found satisfactory in each case.

The Bank also grants loans to certain fishermen's lending associations. These associations in their turn lend their capital to the members — the fishermen — for financing of boats and gear. This system has long been practised in Denmark and up to

the establishment of the Fishery Bank in 1932, loans were granted to the associations by the Minister of Fisheries. These fishermen's associations are private, but to some extent controlled by the Government. The members are liable for the debts of the association and accordingly no special measures to secure the Fishery Bank loans to them are required.

The loans may be paid to the borrowers as cash bonds issued by the Bank. The borrower must sell the bonds at the stock exchange value, even at a loss, to obtain cash. It should, however, be mentioned that the Bank has an agreement with certain monetary institutions to buy these bonds at a certain price.

Repayment period and rate of interest

Loans are usually for a period of 15 years. Loans for the replacement of engines, however, must be repaid within six years.

The rate of interest is, as a rule, 5 percent per annum. One half of the loan is paid to the Bank's Reserve Fund.

Loans from the State

The Minister of Fisheries may grant loans for the construction of fishing vessels and renewal of engines, now under Law No. 28 of 15 February 1957. At present the State provides D. Kr. 2,000,000 annually for this purpose.

Applications

Applications for loans on a special form and accompanied by the necessary declaration from the Fishery Control are first examined by the Secretary of a Loan Advisory Committee. They are then circulated among the members of the committee. Each member makes written observations about each application which is submitted to the Minister on the basis of these observations. If necessary, the committees may obtain and pay for reports from experts. The Minister of Fisheries normally sanctions the recommendations made. Doubtful cases or questions involving principles are generally dealt with orally at committee meetings before the recommendation is submitted.

Purpose and amount

Loans may be made for the construction of vessels and for renewal of engines. As mentioned above, the loans granted by the Fishery Bank for the fleet do not, as a rule, exceed 50 percent, of the cost of the project. Such loans, however, are not always sufficient and the Minister of Fisheries is empowered to grant loans for another 30 percent.

The Minister's loans are paid in cash.

Repayment period, rate of interest and security

The repayment period is the same as for the Bank loans - 15 years for vessels and six years for replacement of engine. Installments are paid every six months on loans for replacement of engines.

Loans are secured by a mortgage on the vessels, usually second to the Bank loans for the same purpose.

The bonds issued are recorded in the register books and passed to the Ministry of Finance which collects interest and installments due. In the case of default, this Ministry also takes the necessary action. In the case of the death of the borrower or the sale of his assets, the Minister of Finance may, upon application, permit his heir or successor to take over the loan and continue payment of the debt, provided that he is considered qualified. Such cases are handled in collaboration with the Minister of Fisheries and the Fishery Control.

Interest allowances

Decree No. 54-306 of 18 March 1954 [5], as amended by Decree No. 55-192 of 20 January 1955, governs the ways in which the Government may grant interest allowances on loans contracted for the modernization of fishing boats.

Applications for loans with subsidized interest are examined by a seven-member commission composed of persons belonging to five different administrative agencies, to which may be added members who act in an advisory capacity but have no right to vote.

After an application has been examined, the commission submits its opinion on loan terms and rate of interest to the Minister of the Merchant Marine for approval.

Only borrowers obtaining loans for the purchase or modernization of vessels of over 20 tons [6] may benefit from interest subsidies. The rate of interest to be paid by the borrowers themselves may not be less than $4\frac{1}{2}$ percent.

Grants to navy yards

Under the law of 24 May 1951 [7], lump-sum appropriations may be granted to French shipyards for the building, repair or refurbishing of ships, particularly fishing boats, of over 50 tons.

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[5] Decree No. 54-306 of 18 March 1954 amended, relating to modernization, renewal and expansion of the merchant marine and fishing fleets.

[6] This decree also authorizes the granting of reduced interest rates to facilitate the renewal and development of the merchant fleet.

[7] Law No. 51-975 of 24 May 1951 relating to naval construction.

The aim of the provisions of this law is to cover the difference between the cost of shipbuilding in France and in other countries. However, since such appropriations are limited to boats of over 50 tons, a large part of the fishing fleet is unable to enjoy the benefits of this law.

Loans under the Mutual Maritime Credit System (Crédit maritime mutuel - CMM)

Loans for the fishing fleet are given by certain societies organized under the Mutual Maritime Credit System.

The basic law of the CMM system dates back to 4 December 1913. It has been amended several times since then, most recently by the law of 13 December 1950. The decree of 12 April 1914 covering the enforcement of the law of 1913 is an important part of the system.

The above-mentioned credit societies should not be considered as being public in character. They are, nevertheless, mentioned here because their structure and activities are covered by precise legal provisions (CMM) and they are partially financed by government loans.

The capital of these societies which are of two types — regional and local — consists of membership subscriptions.

Eligible for membership in the credit societies organized under the CMM system are certain individuals (including persons whose main occupation is fishing, former sailors, fishermen, widows and orphans of fishermen) and certain fishermen's associations (professional seamen's unions, co-operative societies, mutual insurance companies that cover risks for fishing gear and fishermen's conciliation associations). Local credit societies may be members of regional societies. Among private members a distinction is made between active and honorary members; only the former may obtain loans.

Loans for the fishing fleet are granted to members for boat construction or purchase as well as for acquisition of new nautical instruments, shipbuilding materials and engines. A borrower must hold shares in the society covering at least 10 percent of

the value of the loan and offer other security such as, for instance, a mortgage or insurance policy on his boat. Loans are granted on either a short-term basis (up to one year) or long-term basis (from one to ten years). In no case may the amount of the loan exceed 75 percent of the value of the security. The interest rate is limited to $4\frac{1}{2}$ percent per annum. Each society has its own constitution governing its operations.

Loans in overseas territories (Guadaloupe, Martinique and Guiana and Réunion)

The schemes described above apply in principle to overseas territories (départements). It should be recognized, however, that they are actually unsuited to them. Fishing is still too underdeveloped there. It is practised with archaic boats and gear and primitive methods. Fishermen have very small financial means so that they cannot build or buy ships of sufficient tonnage to benefit from the interest subsidies or loans for the promotion of shipbuilding. They are not yet able to meet the conditions set under the CMM system.

Consequently, other solutions have been found to develop a system of loans better suited to their situation which may be described in brief as follows:

(1) The Central Bank for Overseas France (Caisse centrale de la France d'Outre-Mer) is permitted to grant loans to fishermen amounting to a maximum of 3 million francs per person, on a 5-year basis in principle, at a 5 percent interest rate, for the purchase or building of modern ships and the acquisition of fishing gear.

The granting of loans does not depend on affiliation with a mutual credit society based on holding a certain number of its shares. The loan may cover the total value of the boat, without any amount being laid out by the person involved. Security based on the moral responsibility or technical ability of the borrower is envisaged (a technical and financial check being made by the Manager of the Seamen's Register).

The borrower gives the Central Bank for Overseas France a mortgage and this Bank also takes over creditor rights to his insurance policy, which is compulsory.

(2) The system (1) on page 53 was recently improved for Guadeloupe, Martinique and Guiana; a state company CREDITAG (Crédit social des Antilles et de la Guyane), set up by the decree of 2 November 1956, functions "with the methods and flexibility of private, commercial and industrial businesses." Its purpose is not only to grant loans but also to provide technical assistance and to develop the application of mutual aid principles.

Loans

Loans are made for promoting the small deep-sea and coastal fishery (cutter fishery) by the Federal Ministry of Food, Agriculture and Forestry under the regulations of 23 January 1953.

Organization and financing

Under the regulations, loans may be made by certain authorities of the coastal states (Länder) representing the Federal Republic [8]; loans for replacement constructions and those exceeding DM. 25,000 must, however, be approved in advance by the Federal Ministry of Food, Agriculture and Forestry.

Beneficiaries and applications

Loans may be made to individuals only.

Applications must be made on certain forms, stipulated by the regulations. Before a loan is granted the application is passed on to the local fishery administration (Fischereiamt) and the fishermen's professional associations (Landesfischereiverbände) for their comments.

Purpose and amount

Loans may be made for construction of new vessels, acquisition of engines, repair and for measures of modernization and increase of rentability.

[8] Financial schemes providing for assistance from the German states (Länder) are not dealt with here.

The amount of loans is limited to 75 percent of the value (Zeitwert) of the vessel, as estimated by experts.

Repayment period, rate of interest and security

The granting authority may, after taking into consideration the loan amount and the applicant's ability to pay, fix the repayment period between 6 and 15 years.

The rate of interest is 3 percent per annum.

In the first instance, loans are to be secured by mortgaging the vessel or by certain other measures mentioned in paragraph 4 of Section I of the regulations. Moreover, paragraph 5 provides that in order to secure punctual repayments and payments of interest, the Republic shall be entitled to 10 percent of the proceeds from each fishing trip. Even if repayments by such a way amount to more than stated in the loan agreement, they are considered as fulfillments of the borrowers obligation. In cases of large proceeds it may, therefore, happen that the loan is repaid before the date when the last installment falls due.

Other conditions

Provisions are laid down which are intended to ensure that the loans are spent for the purpose for which they were granted and providing for an extensive control by the Federal Ministry of Food and Agriculture. Various other conditions of loans are also set forth in the regulations, one of which is that the granting of federal funds must not result in cuts in loans made eventually for the same purpose from the states.

Interest allowances

Interest allowances may be made for the purpose of rebuilding the fishing fleet, providing that adequate appropriations are included in the Budget of the Federal Ministry of Food, Agriculture and Forestry. The regulations are published annually

immediately after the Federal Budget has been passed by Parliament.

Interest allowances are granted with respect to loans made by nongovernmental credit institutes for building of luggers or combined fishing and processing vessels and for building and alteration of cutters (including changing of the hull, purchases and repairs of machinery as well as nautical and electroacoustic equipment).

As a rule allowances may be made only on loans bearing a contracted interest of 9 percent per annum or less. Furthermore, the loans must be for a period of not less than four years and amount to at least DM. 5,000.

The allowances are normally restricted to 4 percent of the outstanding capital and to a maximum period of 10 years. Usually, however, they should be made for a period not exceeding eight years.

IRELAND

Grants, loans and sales on hire-purchase or credit terms

Provision of vessels and gear to fishermen is undertaken by a public fisheries development corporation (An Bord Iascaigh Mhara [The Board]), established by the Sea Fisheries Act, 1952. The former Irish Sea Fisheries Association Ltd. was dissolved by the same Act, and its assets and liabilities were transferred to the Board. The activity of the Board is wide, including trade, processing and boatbuilding.

Grants of 15 percent of the cost of new fishing vessels are payable by the State through the Board since 1 April 1959. The rate of interest payable by purchasers to the Board is also subsidized at 4 percent per annum, the balance of the interest which would otherwise be payable by them being contributed by the State. Moneys required for these purposes are voted annually by Parliament as part of a grant-in-aid to the Board.

Loans may be made by the Board for the purchase of vessels where suitable security is offered but the more general transactions by which vessels and gear are provided are of two types: (*a*) sales on hire-purchase terms, and (*b*) sales on credit terms. Vessels and first issues of gear may be financed on a hire-purchase basis; subsequent issues of gear may be sold on credit terms. In all cases prepayments are required — at least 5 percent of the value from working fishermen and upwards of 20 percent from others.

Hire-purchase transactions have to comply with the Hire-purchase Act, 1946, which is a comprehensive regulation of all such transactions. Where a vessel and gear are issued on hire purchase, the Board is regarded as owner until the prepayment and the subsequent monthly rents (installments) amount up to the hire-purchase price. Before the final installment falls due, the Board can, on certain conditions, terminate the hiring and retake

possession of the chattels. The hirer on his side can, at any time, and so long as he is not in default, terminate the hiring either by delivering the chattel in good state of repair back to the owner, or pay the redemption value of the outstanding balance and become owner.

Installments due on hire-purchase transactions are generally accepted by the Board on a "pay-as-you-earn" basis. A hirer's catches are sold either through the Board's own marketing organization or through approved fish auctioneers. The Board applies one quarter to one third of the net amount realized on the sale of fish towards marine insurance charges on the vessel and the hire-purchase installments. The remaining two thirds to three quarters of the proceeds are paid over to the hirer who makes the appropriate sharing with his crew.

In accordance with a credit-sale agreement, ownership of the chattels involved passes immediately to the fishermen acquiring them. Should the fisherman fail to pay his installments regularly, the Board may sue for simple debt.

Credit sales are dealt with independently of hire-purchase transactions and installments due on them are paid separately by the hirer.

To enable the Board to finance these hire-purchase and credit-sales transactions and other activities, loans are made to the Board out of the State's Central Fund.

Under the Sea Fisheries Acts, 1952 to 1959, the maximum amount which may be advanced from the Central Fund to the Board is £3,000,000.

Up to 31 March 1959, the sums so advanced totaled £916,633, of which £654,477 went to finance hire-purchase and credit-sales transactions.

Loans

The Agriculture, Forestry and Fisheries Finance Corporation (the Corporation) is empowered to make loans under Law No. 355, December 1952.

Organization and financing

The Corporation is set up and controlled by the State.

The functions of the Corporation in regard to the fishing industry are described as follows: "The purpose of the Agriculture, Forestry and Fisheries Finance Corporation shall be to extend long-term credits at low rates of interest to farmers, foresters and fishermen for maintaining and developing agricultural, forestry and fisheries productivity where such credit is difficult to obtain from the Central Co-operative Bank for Agriculture and Forestry and other general banking institutions."

The capital of the Corporation has been wholly subscribed by the State. No capital is acquired from current operations since any profits revert to the State. The corporation may, with the approval of the competent ministers, borrow from the State, or from foreign banks or other financial institutions.

The Corporation may, with the approval of the competent Ministers, entrust a part of its business to the Central Co-operative Bank for Agriculture and Forestry and other banking institutions. The Corporation shall pay a commission for handling entrusted business to the agency concerned in accordance with prescribed regulations, and the agency shall take appropriate measures to prevent any loan from being used for purposes other than those

for which it was granted. Regarding the entrusted business, the agency concerned shall keep independent accounts and make the required reports thereon [9].

Purposes, beneficiaries, repayment period and rate of interest

Loans for the improvement, construction, or purchase of fishing vessels may be made to co-operatives, including, both co-operatives engaged in fishing themselves and credit co-operatives, and to individuals of firms engaged in fishing. Loans may, however, be made to individuals and undertakings other than co-operatives only if their number of regular employees is under 300 and the gross tonnage of the fishing vessels operated is below 1,000 tons. Loans may also be made for the acquisition of ropes and nets made of synthetic fibers. Beneficiaries of such loans are the same as in the case of loans for fishing vessels.

Loans must normally be repaid over a period of 10 years or less, usually at an interest of $7\frac{1}{2}$ percent per annum. However, no repayments of principal are required during the first two years following the granting of the loan. Repayment must be made in yearly installments.

Amount

Loans are limited to 60 percent, in some cases 50 or 80 percent, of the cost of the project for which the loan is made and may not normally be less than 500,000 yen (equivalent to U.S. $1,375). A maximum limit for loans for vessels is set at 30,000,000 yen.

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[9] The Corporation, having no branch office of its own, entrusts, under these provisions, a greater part of its business to banking institutions. At the end of 1956 the entrusted banking institutions were as follows: the Central Co-operative Bank of Agriculture and Forestry with head office and 32 branch offices; 46 federations of the agriculture and credit co-operatives and 52 local banks. Entrusted banking institutions after inspection of applications in consultation with the prefectural governments concerned, submit the necessary documents, along with their own recommendations to the Corporation, for final decision.

Security

In certain approved cases loans may be granted without security. In practice, however, a guarantor and/or other security is always called for. Loans to co-operatives and other undertakings are normally secured by mortgage of the vessel and by a personal guarantee from the directors, whereas loans to individuals are normally secured by mortgage of assets of comparable value and by a personal guarantee from at least four persons.

When loans are handled by an accredited agent, the latter is partly responsible for repayment of principal and payment of interest. If such payments are not made within six months after the expiration of the period fixed, the accredited agent must, on behalf of the borrower, repay immediately to the Corporation a sum equivalent to 20 percent of the outstanding amount of principal and interest.

Loans and grants

In Malta, loans and grants are authorized under the Agricultural and Fishing Industries Act No. 2, 1956, and the regulations pursuant to the same Act.

Beneficiaries and applications

Applicants must be British subjects and permanently resident in Malta. Applications must be made on prescribed forms and submitted to a commission, appointed by the Minister of Posts and Agriculture (the Minister) for the purpose of considering all applications. The applicants must furnish to the commission such information and evidence as the commission may require. Applications which are recommended by the commission are sent to the Minister for approval.

Approval of applications is framed by the purpose of the scheme which is to give assistance to efficient and industrious fishermen and persons desiring to engage in the fishing industry. The regulations further state that in considering applications, regard will be given to the character, experience, and record of applicants and to their ability to operate successfully a fishing boat or to prosecute fishing successfully.

Purpose and amount

Loans and grants may be made for the acquisition or improvement of fishing boats and equipment and take the form of a private right or notarial deed between the Minister, or a person delegated by him for the purpose, and the recipient of the assistance.

Loans and/or grants that may be made in each year are limited by the amount of money provided for the purpose by Parliament. It is laid down in the law that the maximum grant that may be made in each case cannot exceed 50 percent of the expense involved.

Repayment period and rate of interest

The following scale for a maximum repayment period of loans is set forth in the regulations: loans up to £1,000 within five years; loans from £1,000 to £3,000 within seven years; loans from £3,000 to £5,000 within 10 years; loans from £5,000 to £10,000 within 15 years; and loans over £10,000 within 20 years. The Minister may, however, on good reason being shown and on the recommendation of the commission, extend the period for which the loan has been made.

The rate of interest on loans shall be such as fixed from time to time. Initially the rate is fixed at 1 percent per annum. Later alterations to this rate of interest shall not adversely effect loans made before such alteration.

Other conditions

The loan and/or grant agreement shall in any case include certain obligations, one of which is that the recipient shall not, without the consent of the Minister, make legal dispositions of the boat or equipment concerned. This obligation is, in case of loans, in force until the principal is repaid and interest paid and, in case of grants, for such a period as a Minister directs. Another obligation which the recipient has to undertake is that of maintaining the boat or equipment in proper order and condition and allowing inspection by any person authorized by the Minister.

NORWAY

Loans from the Fishery Bank

Loans are provided for in the law of 23 April 1948 (amended in 1950, 1951 and 1954) and in the decree of 12 November 1948 (amended in 1950, 1951 and 1952).

Organization and financing

Loans may be granted from the Fishery Bank, which is a state corporation organized by law and having the objective of financing the fishing industry. The disposal of capital supplied by the State is subject to certain limitations (Working Fund and Reserve Fund). The State cannot, however, require repayment of this capital until the Bank is liquidated and its ordinary debts are settled. The Bank may, upon the approval of the Director of Finance, raise loans up to a total of ten times as much as the Working Fund. These loans to the Bank are guaranteed by the State.

The Bank is governed by a Central Board of five members. The chairman and vice-chairman are appointed by the National Assembly (Storting) and two members by the King. The Director of the Bank is the fifth member of the Central Board. Certain fishermen's organizations may make recommendations as to the persons they wish appointed. The Director of Fisheries or a person appointed by the Ministry of Fisheries may also take a place on the Board as a consultative member.

The Bank has three sub-offices for the northern regions of the country, each of which is governed by a local board of three members, the chairman being appointed by the National Assembly and one member by the King. The manager of the sub-

office is the third member on the local board. Certain fishermen's organizations may make recommendations, as in the case of appointments to the Central Board.

Every surplus must be transferred to the Reserve Fund, so there are no profits to be paid out.

The annual aggregate amount of loans made by the Bank is subject to decisions of the Government (1954 - limited to N.Kr. 28 million - equivalent to U.S. $4 million - on first mortgage).

Applications

Applications for loans are sent to certain local fishery advisory boards. If such a board recommends a loan to be granted, the application is usually forwarded to certain local boards set up for the purpose of estimating the value of boats offered as security by the applicant. Then the application, together with the value estimate and other necessary information, passes on to the Bank Board — central or local as the case may be.

Purpose, amount and security

The Bank makes loans to the fleet for the following purposes:

(*a*) acquisition of new vessels;

(*b*) acquisition of second-hand vessels;

(*c*) necessary conversion of loans on vessels;

(*d*) rebuilding and repair of vessels and purchase of equipment;

(*e*) purchase of gear.

Loans on vessels (*a*) - (*d*) are secured by mortgage — first or second — in the vessel and by a lien in her insurance policy. Loans for the purchase of gear are secured by mortgage, which comprises all the gear the applicant owns at the time of his application as well as that which he acquires later on.

The amount granted in each case is in the discretion of the board, local or central as the case may be. The security given must, however, be satisfactory. If the relevant board does not find the mortgage sufficient it may require some other security measures according to the Law (Article 20).

Repayment period and rate of interest

The Central Board is free to make decisions as to the repayment period. Its policy is that loans on first mortgage should be repaid in a shorter period than loans on second mortgage. The period practised for loans on first mortgage on wooden vessels has been up to 12 years, on steel vessels somewhat longer. The Bank may, as far as second mortgage loans are concerned, in certain circumstances, exempt the borrower from repayment for the first two years after the loan has been granted. The Bank may, for both types of loan if necessary, postpone one or more installments due.

The rate of interest is laid down by the Government from time to time, most recently by Order of 1 July 1955. The present rates are as follows:

Loans on vessels - first mortgage	$3\frac{1}{2}$ percent
Loans on vessels - second mortgage	2 percent
Loans on gear and equipment	$3\frac{3}{4}$ percent

Loans from the State

A state fund of N.Kr. 3,000,000 was set up in 1952 in connection with a regional development plan for the northern part of the country. Loans out of this fund may be made by the Fishery Bank in accordance with the decree of 30 January 1953. Loans on vessels are made in addition to the ordinary bank loans which are on first and second mortgage. The sum of the three loans covers up to 95 percent of the value of the vessel. Loans for the purchase of gear may be made out of this fund up to 60 percent of the cost.

Loans by the Central Bank for Maritime and Fisheries Credit of the Marine Social Welfare Institute (Caja Central de Crédito Marítimo y Pesquero, Instituto Social de la Marina)

Loans may be granted by the above bank (the Central Bank), which depends on the Ministry of Labor, under a law of 22 December 1949 and two subsequent decrees of 28 February 1950 and 7 December 1953, respectively.

Organization and financing

For the purpose of this scheme, private banks and mutual savings banks (the banks) are required to deposit funds in the Central Bank equal to the total amount of loans granted by the Central Bank, providing this amount does not exceed 350 million pesetas (approximately U.S. $90,000). The proportion of the total deposit to be made by each bank is determined by the Ministry of Finance for each fiscal year on the basis of the balance of their accounts as closed at 31 December of the previous year.

The loans (deposits) made by the banks to the Central Bank are guaranteed by the Government and bear a 2 percent annual interest rate.

In order to take care of urgent loan applications, the Central Bank may make loans totaling up to 20 million pesetas, which it may finance through loans from the National Bank (Banco de España). The latter loans also bear an interest of 2 percent per annum.

Fifty percent of the difference between the interest obtained from the loan beneficiaries (from $2\frac{1}{2}$ percent to $3\frac{1}{2}$ percent as mentioned below) and the interest allowed the banks (2 percent) is used to cover administrative expenses and cost of inspection of services. The other half goes into a reserve fund to cover unpaid loans.

For administrative purposes and carrying through the scheme, the functioning of the Central Bank is governed by law. Auditing of the accounting operations of the Central Bank is done by the National Administration Comptroller's Office (Intervención General de la Administración del Estado).

Beneficiaries of loans

Loans may be granted:

(*a*) to private fishermen and shipbuilders, either individually or collectively;

(*b*) to certain associations (including co-operatives) to which the above-mentioned persons belong, provided that such associations are legally constituted, offer the required security and use the loans they obtain to promote fisheries.

Purposes

Loans made to the fishing fleet[10] must be used to help in the purchase, construction and repair of boats as well as the purchase of motors, naval equipment and fishing gear.

Security and amounts

Loans may be granted against personal security, mortgages, pledged articles or other types of security.

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[10] According to this same scheme, loans may also be made to help in the purchase of transport facilities, industrial refrigeration plan, social centers, Dutch auction halls (longas) and for any other purposes approved by the General Council of the Marine Social Welfare Institute.

Only personal security is acceptable for loans to fishermen's associations. In such a case, the association and its members must assume joint responsibility.

Security in the form of a mortgage must consist of privately owned real estate property [11]. Real estate property acquired with the loans may also be offered as security. Such property must be properly insured.

Articles pledged as security may consist of officially quoted government, provincial or municipal bonds or "gilt-edged" industrial stocks or bonds, preferably those issued for the development and promotion of the fisheries.

The limits on the amounts of loans that can be granted vary with the type of security offered.

Loans of more than 50,000 pesetas granted against personal security may not exceed 30 percent of the value of the property owned by the association and its members. In other cases, it is possible to go as high as 50 percent.

Loans against other types of security are limited to 65 percent of the nominal value of the property, as accepted by the insurance company in case of accident, if the loan is for more than 200,000 pesetas and, in other cases, up to 80 percent of the value.

Repayment period and rate of interest

The period of repayment may not exceed five years. Nevertheless, extensions may always be granted, but the total time allowed may not exceed a period equal to that initially set for repayment. Such extensions must be requested at least one month before the date of expiration of the contract.

Loans by the National Reconstruction Credit Institute (Instituto de Crédito para la Reconstrucción Nacional)

The granting of loans for iron deep-sea fishing boats is done by the National Reconstruction Credit Institute under the con-

[11] Only boats that have been properly registered are considered real estate property.

ditions prescribed by the law of 2 June 1939, which set up the naval credit scheme and the decrees of 15 March 1940 and 21 May 1943, respectively, which brought both iron and steel boats under this same law.

At the present time, one of the functions of this Institute is to grant naval credit which, because of the great sums involved, occupies an important place between the two groups of operations described above.

The decree laws of 12 March and 26 October 1956, respectively, authorize the above-mentioned Institute to make loans for merchant ships and fishing vessels up to a maximum limit of 1,000 million pesetas a year for the 5-year period 1958-63.

Sales on credit terms

Boats and engines are sold on credit terms under the Fishing Industry Development Act (Act No. 44 of 1944) and the Scheme for Financing the Acquisition of Fishing Boats made by the Fisheries Development Corporation (the Corporation).

Organization and financing, beneficiaries

The Corporation was established by the Act with objectives briefly as follows:

(*a*) to establish and manage "schemes" for the promotion, or better organization, of the catching of fish and to finance such schemes;

(*b*) to carry on the business of buying, selling, processing and marketing of fish and fish products;

(*c*) to acquire shares in any company engaged in catching fish, and

(*d*) to establish mutual benefit and medical benefit societies, social clubs, townships, housing utility companies, home ownership schemes, social and health services, etc., and any other similar undertaking which may be beneficial to fishermen.

To date, this organization has issued shares to the value of approximately £900,000. The Union Government is the sole shareholder and has also made loans to the Corporation.

The Corporation is prepared to assist genuine fishermen, and others who desire to become fishermen or who are engaged in the fishing industry, to acquire fishing boats and engines. Such assistance will, however, be confined to boats of a size and class approved by the Corporation, and will be given only in respect of boats operating from approved centers.

The Corporation will on no account advance money to any prospective purchaser to enable such person to acquire a boat. The procedure adopted is for the Corporation itself to place an order for a boat and engine of approved design, after agreement has been concluded with the prospective buyer, and to arrange for delivery of the boat to the buyer.

Boats and marine engines are treated separately under the scheme and any applicant for a boat fitted with an engine will have to enter into separate agreements relative to the boat and engine.

Applications

Application must be made on forms specified for the purpose and must be submitted in triplicate in respect of both boat and engine. The application must be attested by a Justice of the Peace or Commissioner of Oaths, and must be accompanied by a signed statement of the liabilities and assets of each applicant together with banker's name and address.

Applications by groups of persons (not exceeding four) will be considered for a single boat and engine on the understanding that the members of the group will be held jointly and severally liable to the Corporation for the purchase price of the boat and engine.

Application forms are available at the Office of the Corporation, 68 George Street, Cape Town.

Obligations of approved applicants

An approved applicant will be required to enter into separate agreements with the Corporation in respect of the boat and engine acquired under the scheme. Such agreements will provide:

(1) for a deposit with the Corporation on the signing of the agreements of 40 percent of the purchase price of the boat (including engine);

(2) for the registration of a notarial bond over the boat and engine in favor of the Corporation;

(3) for payment to the Corporation of a fixed quarterly sum in respect of the first ten years after delivery of the boat has been taken and of a reduced quarterly sum in respect of the succeeding ten years. The first quarterly payment shall be made on delivery of the boat. These quarterly payments comprise:

(*a*) interest at the rate of 5 percent per annum on:

(*i*) sixty percent of the purchase price of the boat, including the engine, in respect of the first 10 years;

(*ii*) sixty percent of the purchase price of the boat, excluding the engine, in respect of the succeeding 10 years;

(*b*) marine insurance at the rate of $2\frac{1}{2}$ percent per annum on:

(*i*) the full purchase price of the boat, including the engine, in respect of the first 10 years;

(*ii*) the full purchase price of the boat, excluding the engine, in respect of the succeeding 10 years;

(*c*) Amortization Fund contributions at the rate of:

(*i*) £4. 2*s*. 6*d*. per £100 of the full value of the boat plus £9. 3*s*. 0*d*. per £100 of the full value of the engine in respect of the first 10 years;

(*ii*) £4. 2*s*. 6*d*. per £100 of the full value of the boat in respect of the succeeding 10 years;

(4) that the boat shall be maintained to the satisfaction of the Corporation by, and at the expense of, the successful applicant.

Rights of the buyer

A buyer who has acquired a boat under the scheme will be entitled:

(1) on fulfillment of all his obligations under the agreement:

(*a*) in respect of the first 10 years after taking delivery of the boat (including engine):

(*i*) to the cancellation of the amount owing to the Corporation in respect of the purchase of the engine;

(*ii*) to the return of the deposit of 40 percent made in respect of the engine;

(*b*) in respect of the full 20 years thereof:

(*i*) to the cancellation of the amount owing to the Corporation regarding the purchase of the boat (that in respect of the engine having already been canceled);

(*ii*) to the return of the deposit of 40 percent made in respect of the boat (that regarding the engine having already been returned);

(2) in the event of the total loss or destruction of the boat and engine, where the insurance company recognizes the claim in full, to the payment of the balance remaining after the purchase price of the boat and engine is deducted from the sum of the following:

(*a*) the deposit of 40 percent of the purchase price of the boat and engine;

(*b*) the amount recovered from the insurance company in respect of the loss;

TABLE I - PERCENTAGE OF AMORTIZATION FUND CONTRIBUTIONS RECOVERABLE

Year after taking Delivery	A In the Event of Total Loss or Destruction		B In the Event of Withdrawal from the Scheme	
	Boat Amortization Fund	Engine Amortization Fund	Boat Amortization Fund	Engine Amortization Fund
	..... *percentage*		..... *percentage*	
1st	—	—	—	—
2nd	—	49.0	—	19.0
3rd	27.0	70.0	—	57.0
4th	43.5	78.5	22.5	71.0
5th	52.5	83.5	38.0	78.5
6th	59.0	87.5	47.5	84.0
7th	64.0	90.5	55.5	88.5
8th	68.0	93.0	61.0	92.0
9th	71.5	96.0	66.0	95.0
10th	74.5	98.0	70.0	97.5
11th	77.5	—	74.0	—
12th	80.5	—	77.5	—
13th	83.0	—	80.5	—
14th	85.5	—	83.5	—
15th	88.0	—	86.0	—
16th	90.0	—	89.0	—
17th	92.5	—	91.5	—
18th	94.5	—	94.0	—
19th	96.5	—	96.0	—
20th	98.0	—	98.0	—

TABLE 2 - EXAMPLE OF PAYMENTS FOR WHICH A SUCCSSFULE APPLICANT IS LIABLE WHERE THE BOAT, COMPLETE WITH ENGINE, COSTS £4.500 OF WHICH THE BOAT COSTS £3.000 AND THE ENGINE £1.500.

	Boat	Engine	Total
	..... £ *sterling*		
Purchase price	3,000 0 0	1,500 0 0	4,500 0 0
25% deposit by applicant	1,200 0 0	600 0 0	1,800 0 0
Balance of purchase price	1,800 0 0	900 0 0	2,700 0 0
(*a*) Interest at 5% p.a. on balance of purchase price	90 0 0	45 0 0	135 0 0
(*b*) Marine insurance at 2½% p.a. on purchase price	75 0 0	37 10 0	112 10 0
(*c*) Amortization Fund contributions:			
(*i*) £4. 2*s*. 6*d*. per £100 of purchase price of boat	123 15 0	—	123 15 0
(*ii*) £9. 3*s*. 0*d*. per £100 of purchase price of engine	—	137 5 0	137 5 0
Annual payments	288 15 0	219 15 0	508 0 0
Quarterly payments	72 3 9	54 18 9	127 2 6

NOTE. (1) In terms of the scheme the successful applicant will be required to pay £127. 2*s*. 6*d*. per quarter for the first 10 years after taking delivery, and £72. 3*s*. 9*d*. per quarter for the succeeding 10 years.

(2) At the end of the tenth year after taking delivery, the applicant's debt of £900 in respect of the engine will be canceled and his deposit of £600 on the engine returned to him.

(3) At the end of the twentieth year after taking delivery the applicant's debt of £1,800 in respect of the boat will be canceled and his deposit of £1,200 on the boat returned to him.

(*c*) that percentage of the Amortization Fund as set out in Table 1 (A) (*see* page 76);

(3) in the event of the disposal of the boat and engine before the expiry of the agreement:

(*a*) where, with the approval of the Corporation, the obligations under the agreement are ceded to a new buyer who is approved by the Corporation, to full release;

(*b*) where the new buyer does not take over obligations under the agreement, but the seller agrees to liquidate liability to the Corporation in full, to reckon such liability as the balance remaining after the deduction from the purchase price of the boat and engine of the sum of the following:

(*i*) the deposit of 40 percent of the purchase price of the boat and engine;

(*ii*) that percentage of the Amortization Fund as set out in Table 1 (B) (*see* page 76).

Grants in Great Britain

Grants for the acquisition of new fishing vessels up to 140 feet in length and in certain cases of new engines for such vessels are authorized by the White Fish and Herring Industries Act, 1953. Conditions of grants are laid down in schemes made under this Act - the White Fish Industry (Grants for Fishing Vessels and Engines) Schemes, 1955 and 1956, and the Herring Industry (Grants for Fishing Vessels and Engines) Schemes, 1955 and 1956.

The White Fish and Herring Industries Act, 1957, authorizes grants toward the cost of converting suitable coal-burning fishing vessels to oil-firing or Diesel propulsion. Conditions of grant are laid down in the White Fish and Herring Industries (Conversion Grants) Scheme, 1957.

Organization and financing

The grants may be made by two corporate bodies - the Herring Industry Board (the Board) in case of grants to the herring fleet and the White Fish Authority (the Authority) in case of grants to the white fish [12] fleet. The activities of these two corporations are strictly regulated by law. They have an income derived from levies on first-hand sales of fish, from which much of their business is financed, but funds for the grants are derived from the Exchequer and may be drawn upon by the Authority and the Board up to such amounts and during such periods as have been approved by Parliament.

[12] White fish means fish of any kind found in the sea, except herring, salmon and migratory trout.

Beneficiaries and applications

Applications may be made only by British subjects resident in Great Britain or corporations incorporated by, or under, the law of Great Britain. In the case of a new engine, other than one which replaces a coal-burning engine, the applicant must also be a working owner [13] of the vessel.

Applications are entertained only in respect of vessels or engines built, or to be built, or work of conversion executed, or to be executed, in the United Kingdom.

Applicants are required to satisfy the Board or Authority as to the prospect of their being able to operate the vessel successfully and may be required to make a full statement of their financial position. Applications are made in writing on special forms.

The Board and Authority are bound to have regard to the needs and interests of the herring industry and the white fish industry, respectively, but, subject to provisions in the schemes, may at their entire discretion approve or reject an application.

Purpose and amount

Grants may be for the acquisition of a new vessel or a new engine or for the conversion of suitable coal-burning vessels to oil-firing or Diesel propulsion. Vessels exceeding 140 feet do not qualify for grants. Nor do any smaller vessels qualify if they regularly fish for white fish beyond the inshore, near and middle waters [14].

The normal rate of grant is one quarter of the expenditure incurred. In the case of working owners buying new vessels or engines, however, the grant is payable up to three tenths of the expenditure incurred, subject to a limit of £5,000 in the case of a vessel and of £1,250 in the case of an engine.

A grant by the Board toward the acquisition of a new vessel for herring fishing may not exceed £15,000. One by the

[13] 'Working owner' means a person who, being the owner, or one of the owners of a vessel, regularly goes to sea in it when it is used for the purpose of fishing.

[14] These are defined for this purpose as being between latitudes 43 N and 63 N, east of longitude 17 W.

Authority towards the acquisition of a new vessel may not exceed £30,000. A grant towards the cost of conversion may not exceed £7,500 in cases where engine boilers are converted to oil-firing, or £10,000 in cases where a coal-fired steam engine is replaced by an engine which does not consume coal.

Payments are restricted to vessels and engines which are constructed and equipped to the satisfaction of the Board and Authority, in accordance with approved plans and specifications, and vessels must conform to any standards laid down by the Minister of Transport and Civil Aviation under the Merchant Shipping Acts, 1894 to 1952. The vessels and engines schemes also provide that accommodation for officers and crew shall conform and the conversion grants scheme that it shall conform as far as is reasonably practicable, to the best modern practice appropriate to the class of vessel concerned.

Other conditions

No repayment of a grant shall be made until the sum to be found by the applicant has been paid towards the cost of the vessel or engine, as the case may be. Thereafter payment may be made by the Board or the Authority direct to the applicant, or on the applicant's behalf to the builder, seller or contractor in one sum or by such installments and at such times as may be required in conformity with the contract.

In connection with the approval of the application, the applicant may be required to give such undertakings for a certain control period as the authorities consider appropriate. Some guarantees shall, in any case, be required, among which are:

(*a*) to prosecute herring fishing or fishing of white fish diligently and vigorously to the satisfaction of the Board or Authority;

(*b*) to insure the vessel or engine and keep it insured at valuation agreed with the Board or Authority against all marine risks and war risks;

(*c*) to make available for inspection by the Board or Authority, at all reasonable times, any books, records or other documents necessary to enable the Board or Authority to satisfy themselves that conditions of the grant have been complied with.

The control period means, in the case of new vessels for herring fishing, new vessels not exceeding 115.9 feet fishing for white fish, and engines for such vessels, and also, in the case of converted vessels, a period of 10 years, commencing with the date of payment of grant. In the case of vessels exceeding 115.9 feet, fishing for white fish, and engines for such vessels, the control period is 20 years.

If there occurs within the first three years of the control period a breach of any undertaking or a total loss of the vessel or engine, arising out of an insured risk, the recipient has to pay back the whole of the grant. In the event of any such breach or loss occurring later in the control period, a proportion of the grant equivalent to the unexpired fraction of the control period must be repaid.

If there occurs within the control period a mortgage, transfer of registration, charter, sale or disposal in any other manner of the vessel or the engine, the applicant shall repay the whole amount or such proportion (if any) thereof as the Board or Authority may determine. Repayment in these cases shall, however, not be required in excess of the amount which would have been repayable at the same date had the provision for repayment in event of breach of any undertaking been applicable to the case.

Loans in Great Britain

Under the Herring Industries Acts 1935 to 1953 and the Sea Fish Industry Act 1951 the Board and the Authority also make loans. For this purpose they are authorized to borrow, subject to regulations made by Ministers and approved by the Treasury, from the Exchequer up to such amounts and during such periods as have been approved by Parliament.

The conditions of loans are similar to those of grants. In fact, nowadays, loans are rarely made for the purchase of new boats

or engines without grants also being paid. Loans are normally limited to 60 percent of the cost of a vessel, engine or conversion. Working owners, however, may receive loans of only 55 percent, this differentiation ensuring that all owners shall find at least 15 percent of the total cost themselves. The period for loans varies, and interest rates vary with the period. In the spring of 1955 the White Fish Authority was lending money for up to five years at $3^3/_8$ percent, for between 5 and 15 years at 4 percent, and for more than 15 years at $4\frac{1}{4}$ percent. By the spring of 1957 the rates had risen to 5 percent, $5\frac{1}{4}$ percent and $5\frac{1}{4}$ percent, respectively.

In addition to these main loan schemes for new vessels and engines, the White Fish Authority also makes loans for the reconditioning of suitable inshore, near and middle water vessels. Reconditioning covers re-engining and conversion to motor power, and the installation of echo sounders. The Authority lends inshore fishermen (i.e., fishermen using boats not more than 70 feet long) up to 60 percent of the cost of nets and gear in certain circumstances.

The Herring Industry Board similarly provides 60 percent loans for nets and gear to herring fishermen. All loans for nets and gear are repayable over periods of not more than three years.

The White Fish Authority makes grants and loans to fishermen's co-operatives which, *inter alia,* supply nets and gear and fuel. Grants are made toward the cost of formation and initial expenses, and loans up to 80 percent of approved expenditure may be made towards capital outlay on the buying of the materials and requisites.

Grants in Northern Ireland

The grant and loan schemes operated in Northern Ireland are very similar to those of England, Scotland and Wales, except that grants for conversion are not at present necessary owing to the nature of the fleet, which contains no coal-burning vessels.

In Northern Ireland, grants are extra-statutory and are made by the Ministry of Commerce under the annual authority of

Parliament. A grant may be made to a British subject resident in Northern Ireland engaged in the white fish industry or herring industry for:

(*a*) the acquisition of a new fishing vessel not exceeding 140 feet in length, including equipment required for the sailing of the vessel which is sold with the vessel;

(*b*) the acquisition and installation of a new engine for a fishing vessel in cases where the applicant is the working owner of the vessel.

Qualification for grant and conditions of grant are broadly similar to those in Great Britain's grant schemes, except that the control period in all cases is 10 years and the amount of grant to be repaid in the event of a breach of undertaking occurring after more than three years is at the discretion of the Ministry of Commerce, who administer the scheme:

(*a*) the amount of any grant which may be made to a working owner in respect of the acquisition of a vessel shall be at the rate of three tenths of the expenditure and in any other case one quarter of the said expenditure subject, in either case, to a maximum grant of £5,000.

(*b*) the amount of any grant which may be made in respect of expenditure incurred in the acquisition and installation of an engine by a working owner shall be at the rate of three tenths of the expenditure, or £1,250 whichever is the lesser.

Loans in Northern Ireland

Under the Development Loans Act (Northern Ireland) 1945, and the Fishery Development Loans Regulations (Northern Ireland) 1947, the Ministry of Commerce is empowered to make loans for:

(*a*) the purchase of new boats and engines;

(*b*) the purchase of second-hand boats;

(*c*) the purchase of gear and/or equipment (e.g., nets, echo sounders, winches, etc.);

(*d*) the reconditioning of, or major repairs to, engines.

The conditions of loans are similar to those of grants, and at present loans are not made for the purchase of new boats or engines without grants also being paid. As in the rest of the United Kingdom, for a new boat or engine a working owner may receive loans of up to 55 percent of the total cost while a non-working owner may receive loans of up to 60 percent of the total cost. All owners must find at least 15 percent of the total cost by way of deposit. Loans are secured by a first mortgage on the vessel and a Deed of Covenant made between the borrower and the Ministry of Commerce, and are repayable from earnings. Repayments are made through the borrower's Bank at weekly or longer intervals of two tenths of the net earnings of the boat over a period which is not expected to exceed 15 years. Interest is charged at the rate current when the loan is authorized. The present rate of interest is $5\frac{1}{2}$ percent on all loans.

Loans of up to £500 are classified as "minor loans" and may be made on the security of a promissory note and two personal sureties. This type of loan is repayable in half-yearly installments over a period not exceeding five years.

Loans

Loans may be made by the Secretary of the Interior (the Secretary) or his authorized representative under the Fish and Wildlife Act of 1956 (the Act) and the Rules and Regulations prescribed by him pursuant to Section 4 (*a*) of the Act, effective since 12 September 1958.

Financing

The Act created the Fisheries Loan Fund (the Fund) and authorized the sum of U.S. $10,000,000 to be appropriated to this fund. By amendment in 1958, this authorization was increased to U.S. $20,000,000.

Section 4 of the Act requires that the Fisheries Loan Fund shall be used by the Secretary as a revolving fund. Any funds received by the Secretary on or before 30 June, 1965, in payment of principal or interest on any loans made out of the Fund, shall be deposited in the Fund and be available for making additional loans. Any funds so received after 30 June, 1965, and any balance remaining in the Fund at the close of 30 June, 1965 (at which time the Fund shall cease to exist), shall be paid into the Treasury as miscellaneous receipts.

Beneficiaries

Article 160.4 (*a*) of the Rules and Regulations provides that any person (individual, association, partnership or corporation) residing or conducting business in any state (including any state, the territories of the United States, the Commonwealth of Puerto

Rico and the District of Columbia) shall be deemed to be a qualified applicant for financial assistance if such person:

(*a*) owns a commercial fishing vessel of United States registry (if registration is required) used directly in the conduct of fishing operations, irrespective of the type, size, power, or other characteristics of such vessel;

(*b*) owns any type of commercial fishing gear used directly in the catching of fish or shellfish;

(*c*) owns any property, equipment, or facilities useful in conducting research into the basic problems of fisheries or possesses scientific, technological or other skills useful in conducting such research;

(*d*) is a fishery marketing co-operative engaged in marketing all catches of fish or shellfish by its members pursuant to contractual or other enforceable arrangements which empower the co-operative to exercise full control over the conditions of sale of all such catches and disburse the proceeds from all such sales.

Purposes

Loans may be made for financing and refinancing of operations, maintenance, replacement, repair and equipment of fishing gear and vessels, and for research into the basic problems of fisheries.

Interest and repayment

The Act requires loans to bear an interest rate of not less than 3 percent per annum and to mature in not more than 10 years. Subject to these limitations the Secretary is authorized to consent to the modification, with respect to the rate of interest, time of repayment of any installment of principal, or security, of any loan contract to which he is a party.

The Rules and Regulations (Article 160.9 to 160.10) fixes the rate of interest at 5 percent per annum and leaves the period of maturity to be determined and fixed according to the circumstances, but in no event shall the date of maturity so fixed exceed a period of 10 years.

Security

According to the Rules and Regulations (Article 160.11) loans shall be approved only upon the furnishing of such security or other reasonable assurance of repayment as the Secretary may require. The proposed collateral for a loan must be of such a nature that, when considered with the integrity and ability of the management, and the applicant's past and prospective earnings, repayment of the loan will be reasonably assured.

Basic limitations

The Act requires that no financial assistance shall be extended unless reasonable financial assistance applied for is not otherwise available on reasonable terms (the meaning of this limitation is clarified in Article 160.5 of the Rules and Regulations).

Miscellaneous provisions

Some additional provisions laid down in the Rules and Regulations are cited in the following:

Application. Any person desiring financial assistance from the Fisheries Loan Fund shall make application to the Department of the Interior, Fish and Wildlife Service, Washington 25, D.C., on a loan application form furnished by that Service except that, in the discretion of the Secretary, an application made other than by use of the prescribed form may be considered if the application contains information deemed to be sufficient. Such application shall indicate the purposes for which the loan is to be used, the period of the loan, and the security to be offered.

Processing of loan applications. If it is determined, on the basis of a preliminary review, that the application is complete and appears to be in conformity with established rules and procedures, a field examination shall be made. Following completion of the field investigation the application will be forwarded with an appropriate report to the Department of the Interior, Fish and Wildlife Service, Washington 25, D.C.

Approval of loans. Loan agreements must be executed on a form approved by the Secretary. The Secretary will evidence his approval of the loan by issuing a loan authorization covering the terms and conditions for making the loan. Such loan authorization shall be referred to the Administrator who will direct the closing of the loan with the applicant in the field and render services involving the collection of repayments and such other loan servicing functions as may be required. Any modification of the terms of a loan agreement following its execution must be agreed to in writing by the borrower and the Secretary.

Penalties on default. Unless otherwise provided in the loan agreement, failure on the part of a borrower to conform to the terms of the loan agreement will be deemed grounds upon which the Secretary may cause any one or all of the following steps to be taken:

(*a*) discontinuance of any further advances of funds contemplated by the loan agreement;

(*b*) take possession of any or all collateral given as security and the property purchased with borrowed funds;

(*c*) prosecute legal action against the borrower;

(*d*) declare the entire amount advanced immediately due and payable;

(*e*) prevent further disbursement of and withdraw any funds advanced to the borrower and remaining under his control.

SCHEMES REVIEWED

(by country and by type of assistance provided)

Type of Assistance	Belgium	Canada	Denmark	France	Fed. Rep. of Germany	Ireland	Japan	Malta	Norway	Spain	Union of South Africa	United Kingdom	United States of America	TOTAL
Loans		3	2	3	1		1		2	2		2	1	17
Grants		2		1								2		5
Loans and/or grants								1						1
Payments of loss on guaranteed loans		1												1
Interest allowances				1	1									2
Interest and/or life insurance allowances		1												1
Grants, loans and sales on credit terms		1									1			2
Sales on credit or hire-purchase terms						1								1
Loans of other supports	1													1
TOTAL	1	8	2	5	2	1	1	1	2	2	1	4	1	31

PRINCIPAL FEATURES OF SCHEMES REVIEWED

Loans	Administering Authorities and Funds	Purpose	Amount	Rate of Interest	Period of Repayment	Security for Repayment of Principal and Payment of Interest
Belgium	Minister of Navy. Fund for Naval Construction and Shipbuilding (revolving)	Acquisition or improvement of vessels	Normally not exceeding 70% of the cost of vessel or improvement	Not specified	Not specified	Not specified
Canada	Fishermen's Loan Boards in Nova Scotia, New Brunswick and Prince Edward Island Revolving Funds	(*a*) Acquisition of boats	Not specified *	In Nova Scotia, rate in each instance fixed by Board; in New Brunswick, 4% p.a.; in Prince Edward Island 3% p.a.	Not exceeding 10 years (age of boat criterion in determination of repayment period). In Prince Edward Island, the Board may provide for, and accept, repayment on the basis of 12½% of proceeds from sale of fish	Applicant must execute such promissory notes, contracts, mortgages assignments or other assurance Board may require
		(*b*) Purchase of engines and auxiliary equipment	"	"	Not exceeding 5 years	"
		(*c*) Purchase of fishing gear and equipment	"	"	Not exceeding 3 years	"

* Amount of loan related to deposit the borrower is required to make upon submitting his application.

PRINCIPAL FEATURES OF SCHEMES REVIEWED (*continued*)

Loans	Administering Authorities and Funds	Purpose	Amount	Rate of Interest	Period of Repayment	Security for Repayment of Principal and Payment of Interest
Denmark	Fishery Bank	(*a*) Acquisition of new vessels	Not exceeding $^2/_3$ of cost of vessel	Not stipulated in the regulations [1]	Not exceeding 15 years	Mortgage on vessel or other acceptable security
		(*b*) Acquisition of old vessel	Not exceeding $^1/_2$ of purchase price of vessel	"	"	"
		(*c*) Acquisition of new engines	Depends on value of vessel and engine, cost of installation of engine, and amounts of other loans (from Ministry of Fisheries)	"	Not exceeding 6 years	"
	Minister of Fisheries. Annual provisions in the State budget	(*a*) Construction of vessels	Not exceeding 30% of cost of vessel [2]	"	Not exceeding 15 years	Mortgage on vessel
		(*b*) Acquisition of new engines		"	Not exceeding 6 years	"

[1] The rate, upon recommendation by the Board of Directors of the Bank, is fixed for certain periods by the Minister of Agriculture and Fisheries in consultation with the Minister of Finance. [2] These loans are granted in addition to those granted by the Fishery Bank, raising total amount up to 80 percent of the cost of the vessel.

PRINCIPAL FEATURES OF SCHEMES REVIEWED (*continued*)

Loans	Administering Authorities and Funds	Purpose	Amount	Rate of Interest	Period of Repayment	Security for Repayment of Principal and Payment of Interest
France	Societies (caisses organized under the Mutual Maritime Credit System (Crédit maritime mutuel)	Purchase or construction of boats; acquisition of new nautical instruments or engines	Not exceeding 75% of the security offered up to specified ceiling	Not exceeding 4½ % p.a.	For short-term loans, not exceeding 1 year; for long-term loans, not exceeding 10 years	Mortgage or insurance policy on the vessel or other satisfactory security
	Central Bank for Overseas France (Caisse centrale de la France d'Outre Mer)	Purchase or construction of new ships and acquisition of fishing gear	Not exceeding 3 million francs to any borrower. Loan may cover total value of boat	5% p.a.	5 years	Mortgage and insurance policy on the vessel
	Crédit Social des Antilles et de la Guyane (Creditag)	Information not available	Information not available	Information not available	Information not available	Information not available
Germany, Federal Republic	Boards (Gerichtsständen) appointed by Governments of the German states (Länder). Annual provision in the budget of the Federal Republic	Construction of new vessels, acquisition of engines, repair and modernization	Not exceeding 75% of cost	3% p.a.	6 - 15 years; 10% of proceeds from fishing trips set aside for repayment	Mortgage or other security

PRINCIPAL FEATURES OF SCHEMES REVIEWED (*continued*)

Loans	Administering Authorities and Funds	Purpose	Amount	Rate of Interest	Period of Repayment	Security for Repayment of Principal and Payment of Interest
Japan	The Agriculture, Forestry and Fisheries Finance Corporation and specified banking institutions	Improvement, construction or purchase of vessels, acquisition of ropes and nets made of synthetic fibers	Not exceeding 80% of the cost of the project for which the loan is made. No loan to exceed 30,000,000 yen	As a rule, not exceeding 7 ½% p.a.	As a rule, not exceeding 10 years. No repayment made during the first 2 years	Miscellaneous types of security
Malta	Minister of Posts and Agriculture. Annual provisions by Parliament	Acquisition or improvement of vessels or equipment	Not specified	Not specified	Loans up to £1,000 - 5 years; loans from £1,000 to £3,000 - 7 years; loans from £3,000 to £5,000 - 10 years; loans from £5,000 to £10,000 - 15 years; loans above £10,000 - 20 years	Borrower forbidden to make legal dispositions of vessel or equipment as long as loan not repaid

PRINCIPAL FEATURES OF SCHEMES REVIEWED (*continued*)

Loans	Administering Authorities and Funds	Purpose	Amount	Rate of Interest	Period of Repayment	Security for Repayment of Principal and Payment of Interest
Norway	Fishery Bank	(*a*) Acquisition of new or old vessels, refinancing, rebuilding of vessels, and purchase of equipment	Not exceeding value of security offered	Loans secured by first mortgage (excluding loans for acquisition of equipment): 3½% p.a.; loans secured by 2nd. mortgage (excl. loans for acquisition of equipment: 2% p.a.; loans for acquisition of equipment: 3¾% p.a.	Not specified	Mortgage of vessel (1st. or 2nd.), and insurance policy. Other security may be required if necessary
		(*b*) Purchase of gear	”	3¾% p.a.	”	Mortgage on gear owned at time of application as well as gear acquired after that date
	Fishery Bank. State fund	(*a*) Acquisition of new or old vessels	Not specified *	Not stipulated in the regulations	Repayment not required during the 5 years following award	3rd. mortgage on vessel and insurance policy

* The loans are made in combination with first and second mortgage loans made by the Fishery Bank out of its own funds. The total of the three loans shall not exceed 95% of the value of the vessel.

PRINCIPAL FEATURES OF SCHEMES REVIEWED (*continued*)

Loans	Administering Authorities and Funds	Purpose	Amount	Rate of Interest	Period of Repayment	Security for Repayment of Principal and Payment of Interest
Norway	Fishery Bank. State fund	(*b*) Purchase of gear	Not exceeding 60% of cost	Not stipulated in the regulations	Not specified	Mortgage on gear and vessel. As additional security, the Bank may obtain rights to proceeds of catch
Spain	Central Bank for Maritime and Fisheries Credit [Caja Central de Crédito Marítimo y Pesquero]. Funds raised through annual contributions from specified banks	Purchase, construction or repair of boats; purchase of engines, naval equipment, and fishing gear	Not exceeding certain percentages of the security offered (30, 50, 65 or 80)	"	Not exceeding 5 years. Upon expiration, extension for similar period may be granted	Mortgage or other security
	National Reconstruction Credit Institute [Instituto de Crédito para la Reconstrucción Nacional]. Funds provided in the state budget	Information not available	Information not available	Information not available	Information not available	Information not available

PRINCIPAL FEATURES OF SCHEMES REVIEWED (*continued*)

Loans	Administering Authorities and Funds	Purpose	Amount	Rate of Interest	Period of Repayment	Security for Repayment of Principal and Payment of Interest
United Kingdom	White Fish Authority and Herring Industry Board. The two bodies borrow funds for loan purposes from the Exchequer	(*a*) Acquisition of new vessels or engines	Loans to working owners: not exceeding 55% of cost. Loans to others: not exceeding 60% of cost *	Not specified	Not specified	Information not available
		(*b*) Acquisition of gear	Ordinarily not exceeding 60%, in some cases 80%, of cost	Not specified	Not exceeding 3 years	,,
	Minister of Commerce. State fund	Purchase of new boats and engines, purchase of gear and/or equipment, and reconditioning of (or major repair to) engines	As under (*a*) above	,,	Loans of £500 and above: repayment effected by setting aside $^{2}/_{10}$ of net earnings of the boat over period not to exceed 15 years. Loans up to £500: repaid by semiannual installments over a period not exceeding 5 years	First mortgage of vessel and a Deed of Covenant made between the borrower and the Ministry of Commerce

* The loans may be combined with grants which shall not exceed 30% (in the case of working owners) or 25% (in the case of other owners) of the cost of vessel or engine.

PRINCIPAL FEATURES OF SCHEMES REVIEWED (*continued*)

Loans	Administering Authorities and Funds	Purpose	Amount	Rate of Interest	Period of Repayment	Security for Repayment of Principal and Payment of Interest
United States of America	Secretary of the Interior or his authorized representative. Fisheries Loan Fund (revolving)	Financing and refinancing of operations, maintenance, replacement, repair and equipment of fishing gear and vessels	Not specified	5% p.a.	Not exceeding 10 years	As required by the Secretary of the Interior

PRINCIPAL FEATURES OF SCHEMES REVIEWED (*continued*)

Grants	Administering Authorities and Funds	Purpose	Amount
Canada	Minister of Fisheries of Canada	Building of vessels of the dragger or long-liner type	Not exceeding $165 per gross ton
	Minister of Fisheries and Co-operatives of Newfoundland	Building of vessels	$160 per gross ton
France	Minister of Merchant Marine	Building, repair or refurbishing of vessels	Not specified
Ireland	An Bord Iascaigh Mhara [a fisheries development corporation]	Acquisition of new vessel	15% of cost
Malta	Minister of Posts and Agriculture	Acquisition or improvement of vessel or equipment	Not exceeding 50% of the expenditure incurred
United Kingdom	Herring Industry Board	Acquisition of new vessels or engines, or conversion of suitable coal-burning vessels to oil-firing or Diesel propulsion. Vessels exceeding 140 feet do not qualify for grants	Normally $^{3}/_{10}$ of the expenditure incurred. Grants for vessels are not to exceed £15,000. Grants for conversion ordinarily are not to exceed £7,500; in exceptional cases £10,000
	White Fish Authority	Acquisition of new vessel or engines, or conversion of suitable coal-burning vessels to oil-firing or Diesel propulsion. Vessels exceeding 140 feet do not qualify for grants	Normally $^{3}/_{10}$ of the expenditure incurred. Grants for vessels are not to exceed £30,000. Grants for conversion are not normally to exceed £7,500; in some cases the limit is £10,000

PRINCIPAL FEATURES OF SCHEMES REVIEWED (*continued*)

Grants	Administering Authorities and Funds	Purpose	Amount
United Kingdom (*concluded*)	Ministry of Commerce under authority annually granted by Parliament	Acquisition of new vessels or engines. Vessels exceeding 140 feet do not qualify for grants	Normally 3/10 of the expenditure incurred. Grants for vessels are not to exceed £5,000 and grants for engines ordinarily not to exceed £1,250
Interest Allowances	**Administering Authorities and Funds**	**Purpose**	**Amount**
Belgium	Minister of the Navy	To reduce the amount of interest payable by the borrower on private loans for the acquisition or improvement of vessels	Not exceeding half of the total interest stipulated, up to a maximum of 3% p.a. on the loan balance
Canada	Department of Fisheries of Quebec	To reduce the amount of interest payable by the borrower on private loans for the building of vessels or for the purchase of engines, equipment or gear	4% p.a. on the loan balance
France	Minister of the Merchant Marine	To reduce the amount of interest payable by the borrower on private loans for the modernization of vessels	The amount by which the stipulated interest exceeds 4½% p.a.
Germany, Federal Republic	Federal Ministry of Food, Agriculture and Forestry	To reduce the amount of interest payable by the borrower on private loans for the acquisition or alteration of vessels	Normally restricted to 4% p.a.
Ireland	An Bord Iascaigh Mhara [a fisheries development corporation]	To reduce the amount of interest payable by purchasers	The amount by which the interest exceeds 4% p.a.

PRINCIPAL FEATURES OF SCHEMES REVIEWED (*continued*)

Life Insurance Allowances	Administering Authorities and Funds	Purpose	Amount
Canada	Department of Fisheries of Quebec	To reduce the amount of life insurance premiums payable by the borrower on private loans for the construction of vessels or for the purchase of engines, equipment or gear	$0.10 for each $100 of insurance

Guarantees of Loans	Administering Authorities	Purpose	Amount
Belgium	Minister of the Navy	To provide security for private loans contracted for the acquisition or improvement of vessels	Total amount of obligations incurred (including principal, interest, and incidental charges)

Payment of Loss on Guaranteed Loans	Administering Authorities and Funds	Purpose	Amount
Canada	Minister of Finance of Canada	To cover loss which private lenders have incurred on guaranteed loans to fishermen	Total amount of loss

PRINCIPAL FEATURES OF SCHEMES REVIEWED (*concluded*)

Sales on Credit Terms	Administering Authorities	Item Sold	Payment
Canada	Minister of Fisheries of Quebec	Vessels over 45 feet	Fish buyers deduct 12½% from purchase price and remit the amount for liquidation of the fishermen's debt
Ireland	An Bord Iascaigh Mhara [a fisheries development corporation]	Gear	Regular installments
Union of South Africa	Fisheries Development Corporation	Vessels and engines	Quarterly installments over 20 years, the amounts being reduced after the first 10 years

Sales on Hire-purchase Terms	Administering Authorities	Item Sold	Payment
Ireland	An Bord Iascaigh Mhara [a fisheries development corporation]	Vessels and first issues of gear	The purchaser of the vessel is required to market his catch in a manner approved by the Board which applies a part of the proceeds for liquidation of the fisherman's debt

STATUTORY BASES FOR SCHEMES REVIEWED

BELGIUM

Loans and Other Supports

Law of 23 August 1948
(Loi du 23 août 1948)

Law of 7 June 1949
(Loi du 8 juin 1949)

CANADA

Federal Grants

The Fisheries Improvement Loans Act of 11 July 1955

Fisheries Improvement Loans Regulations of 16 November 1955

Federal Payments of Loss on Guaranteed Loans

The Dragger and Long-lines Regulations of 24 May 1951 (P.G. 2490)

Grants in the Province of Newfoundland

The Fishing Ships (Bounties) Act of 27 April 1955

The Fishing Ships (Bounties) Regulations of 30 August 1955

Loans in the Province of Nova Scotia

The Fishermen's Loan Act of 6 April 1944

Regulations of Fishermen's Loan Board

Loans in the Province of Prince Edward Island

An Act to Regulate Assistance for the Re-establishment of Needy Farmers and Fishermen, being Chapter 7 of the Statutes passed in the year of 1936

Regulations under an Act to Regulate Assistance for the Re-establishment of Needy Farmers and Fishermen of 7 January 1949

Amendment of 1950 to Regulations under an Act to Regulate Assistance for Re-establishment of Needy Farmers and Fishermen

Loans in the Province of New Brunswick

An Act to Provide for Loans to Fishermen and to Create a Fishermen's Loan Board for New Brunswick of 1946

Regulations of 1946 to Apply to the Fishermen's Loan Act

Interest and Life Insurance Allowances in the Province of Quebec

Order No. 995 of 3 September 1953

DENMARK

Loans from the Fishery Bank

The Fishery Bank Law of 23 March 1932

Amendments to the Fishery Bank Law of 1932

Regulations (*Vedtaekter*) made by the Ministry of Fishery and Agriculture

Rules (*Reglement*) made by the Fishery Bank and approved by the Ministry of Fishery and Agriculture

Loans from the State

Law No. 28 of 15 February 1957

France

Interest Allowances

Decree No. 54-306 of 18 March 1954 concerning the renewal, modernization and development of the mercantile and fishing fleet
(Décret No. 54-306 du 18 mars 1954 relatif au renouvellement, à la modernisation et au développement de la flotte de commerce et de pêche)

Decree No. 55-192 of 20 January 1955
(Décret No. 55-192 du 20 janvier 1955)

Grants to Navy Yards

Law No. 51-975 of 24 May 1951 concerning the construction of ships
(Loi No. 51-975 du 24 mai 1951 relative à la construction navale)

Loans under the Mutual Maritime Credit System

Law of 4 December 1913
(Loi du 4 décembre 1913)

Amendments to the law of 3 December 1913
(Amendements de la loi du 4 décembre 1913)

Decree of 12 April 1940
(Décret du 12 avril 1940)

} Assembled in *Bulletin Officiel*, Volume No. 33

Loans in Overseas Territories

Order of 2 November 1956 - *Journal Officiel*, 16 December 1956, page 10981
(Arrêté du 2 novembre 1956 - *Journal Officiel* du 16 décembre 1956, page 10981)

Germany, Federal Republic of

Loans

Regulations of 23 January 1953

Regulations of 28 May 1956

IRELAND

Grants, Loans and Sales on Hire-purchase or Credit Terms

The Sea Fisheries Act, 1952 (No. 7 of 1952)

Rules made pursuant to Article 15 of the Sea Fisheries Act of 1952

The Hire-purchase Act, 1946

The Sea Fisheries (Amendment) Act, 1956

The Sea Fisheries (Amendment) Act, 1959

JAPAN

Loans

The Agriculture, Forestry and Fisheries Finance Corporation Law (No. 335, 1952)

Operational Procedure for the Agriculture, Forestry and Fisheries Finance Corporation, 1 April 1953.

MALTA

Loans and Grants

The Agricultural and Fishing Industries Act (No. 2, 1956)

Regulations pursuant to the Agricultural and Fishing Industries Act.

NORWAY

Loans from the Fishery Bank

Law (*Lov*) of 23 April 1948

Amendments (14 April 1950, 2 March 1951 and 25 June 1954) to the law of 23 April 1948

Decree (*kongelig resolusjon*) of 12 November 1948

Amendments (22 September 1950, 9 November 1951 and 1 August 1952) to the decree of 12 November 1948

Decree of 1 July 1955

Loans from the State

Decree of 30 January 1953

SPAIN

Loans by the Central Bank for Maritime and Fisheries Credit

Law of 22 December 1949 - State Headquarters B.O. 24 - Rules for granting of loans
(Ley 22 diciembre 1949 - Jefatura del Estado, B.O. 24 - Normas para la concesión de préstamos)

Order of 28 February 1950 - Ministry of Finance, B.O. 3 March Fulfillment of the law of 22 December 1949 on loans to fishermen
(Orden 28 Febrero 1950 - Ministerio de Hacienda, B.O. 3 Marzo Cumplimento de la Ley 22 de Diciembre 1949, sobre préstamos a los pescadores)

Order of 7 December 1953 - Ministry of Finance, in which complementary rules of the decree-law of 11 September of the same year on fishery credit are prescribed
(Orden de 7 de Diciembre de 1953 - Ministerio de Hacienda por la que se diotan normas complementarias del decreto-ley de 11 de Septiembre del mismo ano sobre Credito Pesquero)

Loans by the National Reconstruction Credit Instituto

Law of 2 June 1939
(Ley de 2 de Junio de 1939)

Decree of 15 March 1940
(Decreto de 15 de Marzo de 1940)

Decree of 21 May 1943
(Decreto de 21 de Mayo de 1943)

Decree-law of 12 March 1956
(Decreto-ley de 12 de Marzo de 1956)

Decree-law of 26 October 1956
(Decreto-ley de 26 de Octubre de 1956)

Union of South Africa

Sales on Credit Terms

The Fishing Industry Development Act (Act No. 44 of 1944) Scheme for Financing the Acquisition of Fishing Boats by the Fisheries Development Corporation

United Kingdom

Grants in Great Britain

The White Fish and Herring Industries Act, 1953

The White Fish Industry (Grants for Fishing Vessels and Engines) Scheme, 1955

The Herring Industry (Grants for Fishing Vessels and Engines) Scheme, 1955

The White Fish Industry (Grants for Fishing Vessels and Engines) (Amendments) Scheme, 1956

The Herring Industry (Grants for Fishing Vessels and Engines) (Amendments) Scheme, 1956

The White Fish and Herring Industries Act, 1957

The White Fish and Herrings Industries (Conversion Grants) Scheme, 1957

Loans in Great Britain

The Herring Industry Acts, 1935 to 1953

The Sea Fish Industry Act, 1951

Loans in Northern Ireland

The Development Loans Act (Northern Ireland), 1945

The Fishery Development Loans Regulations (Northern Ireland), 1947

United States of America

Loans

The Fish and Wildlife Act of 1956 - Public Law 1024-84th Congress, Chapter 1036 - 2nd Session, S. 3275

Rules and Regulations - Fisheries Loans Fund - Federal Register, Wednesday, August 13, 1958

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